

S385.71
C435ne

Re-issue of the Report with an additional Letter
Right Honourable Sir Wilfrid Laurier, K.C.B., the
Canadian Premier, dated 31st May, 1898, beginning on
page 32.

Chignecto Marine Transport Railway Co., Ltd.



REPORT

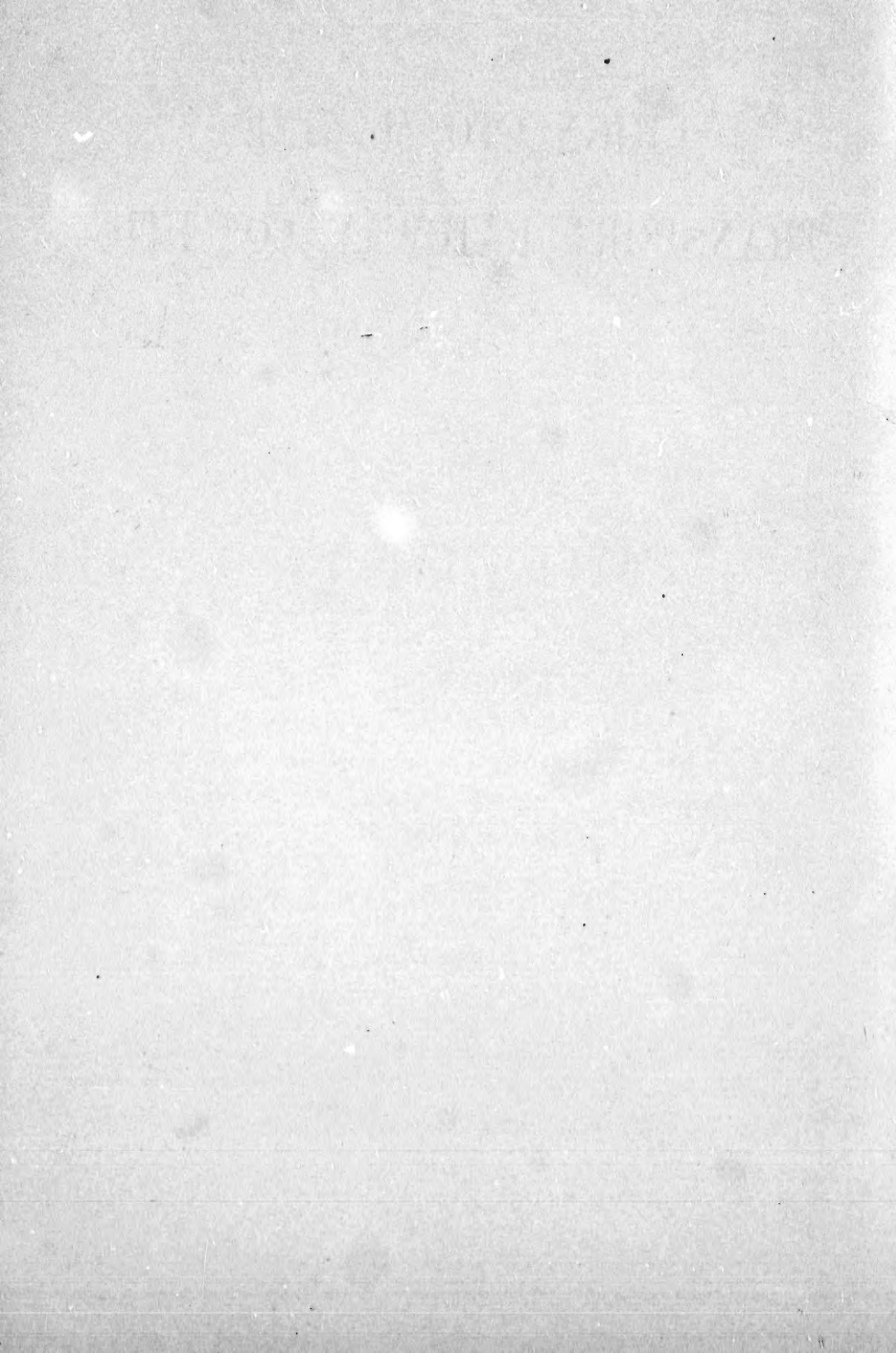
BY

A. D. PROVAND, M.P.,

Relating to the Negotiations with the Canadian Government for
the Reinstatement of the Company or for Payment
of Compensation.



Presented at a Meeting of the Share and Debenture Holders
held 19th May, 1898.



CHIGNECTO MARINE TRANSPORT RAILWAY CO., LTD.

REPORT

BY

A. D. PROVAND, M.P.,

Relating to the Negotiations with the Canadian Government for
the Reinstatement of the Company or for Payment
of Compensation.

*Presented at a Meeting of the Share and Debenture Holders
held 19th May, 1898.*

1000000000
3000000000

CHIGNECTO MARINE TRANSPORT RAILWAY COMPANY, LIMITED.

*To the Debenture and Shareholders of the Chignecto Marine Transport
Railway Company, Limited.*

GENTLEMEN,

From time to time during the past four years we have held meetings, besides the Statutory Annual meetings, to consider the negotiations which have been proceeding with the Canadian Government, for the legislative reinstatement of the Company and re-enactment of the Subsidy, in order that we might proceed with the Railway and complete it.

It was in 1891 that the Contractors stopped the work of construction, and in 1892 I went to Canada for the first time to lay our case before the Government, to ascertain what assistance they would give, and to endeavour to make such arrangements with the Government as would enable the new Contractors to recommence construction and complete the work.

Since then I have been seven times to Ottawa—making eight visits altogether—to see the Canadian Government about the Company's affairs. We have had several interviews with Lord Strathcona and the Right Hon. Sir Charles Tupper, Bart., who have held the office of High Commissioner for Canada during the time the negotiations have been pending. We have also had interviews in London with the Right Hon. Sir John Thompson and the Hon. Mr. Foster, Premier and Finance Minister in the last Government, and with the Right Hon. Sir Wilfrid Laurier, Premier in the present Government. The Directors and a few of the largest investors were present at most of the interviews.

Stated briefly, the relief we have asked from the Canadian Government is, to re-enact the original Acts of Parliament reinstating the Company in possession of its charter and subsidy, and to grant us sufficient time to complete the Railway. We have further represented to the Government that if for any reason they decided not to reinstate the Company, in such case we should be entitled to compensation, and we have said that we should be agreeable to consider with them what amount

would be reasonable, and if there was a failure to agree upon the terms of a settlement, that the question of the amount of compensation should be referred to arbitration.

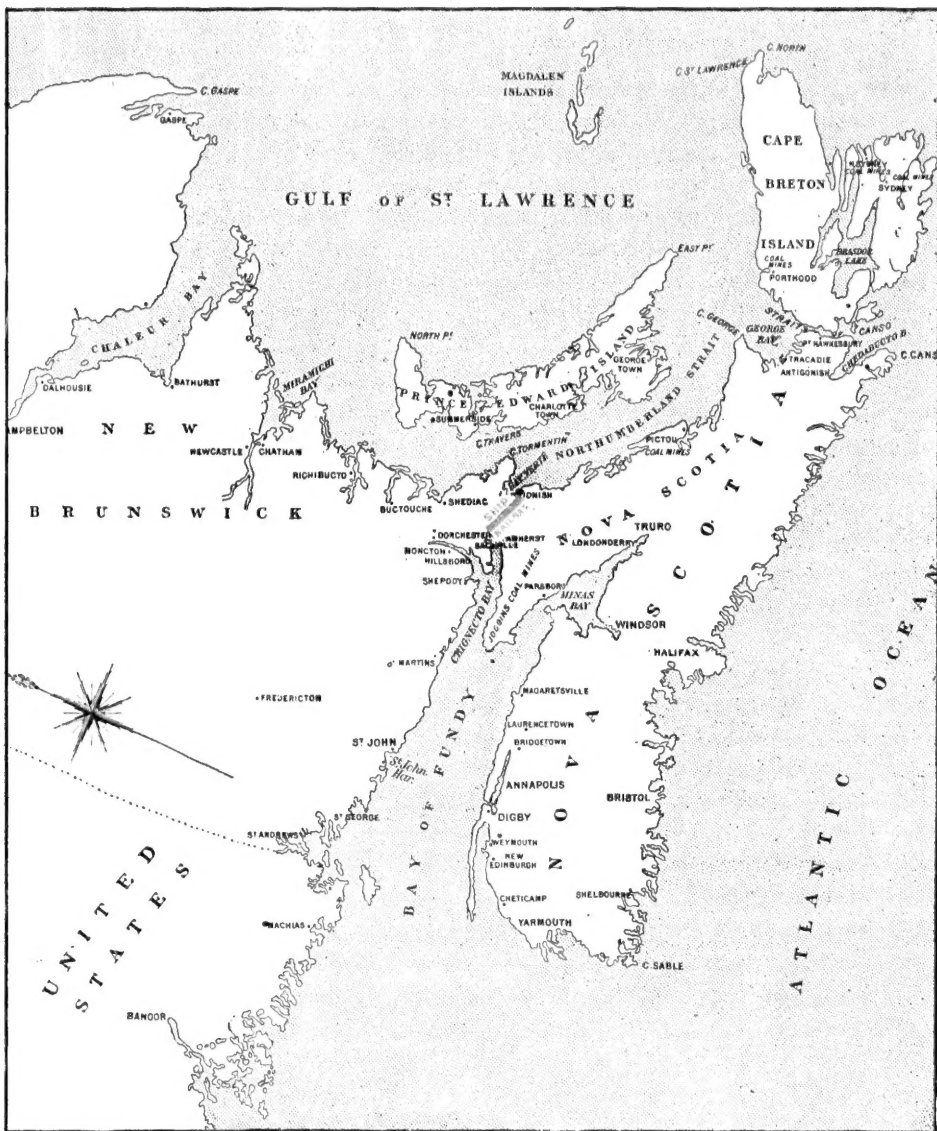
In March last a reply was received from the Government to our request for reinstatement. This came in the form of a Report to the Privy Council of a Sub-Committee of the Council to whom the question had been referred, and was to the effect that they did not consider that the scheme could be regarded as one of such public utility as would warrant an application to be made to Parliament for a renewal of the lapsed subsidy. The Reply sent to this Report and correspondence connected therewith commences on page 22. For reasons stated in the Reply we asked that the Report should be referred back to the Sub-Committee for reconsideration. Sir Wilfrid Laurier wrote to me that this would be done, but no communication has been received as to the result.

If they decide not to reinstate the Company we consider we are entitled to compensation, and this was represented to Lord Stratheona, the High Commissioner, and Sir Wilfrid Laurier last summer, and by letters to both since then, but no communication has been received from Ottawa in regard to this.

Having now reached this position we feel it to be our duty to place before you a statement as to what has occurred not only since you subscribed for the Shares and Debentures, but also as to what took place previous to that in connection with the enterprise. The account which we have to lay before you is necessarily of considerable length, but we beg that you will carefully read and consider it.

The investing classes of this country have carried out innumerable public enterprises in all parts of the world, both in foreign countries and in the Colonies, but the treatment which we have experienced from the Canadian Government in connection with this undertaking has neither precedent nor parallel within the field of former experience.

For convenience I divide into four parts the statement of the proceedings and events:—(1) previous to the issues of the Company's Shares and Debentures; (2) from the date of these issues until the Contractors stopped the construction of the Railway; (3) from the stoppage of construction to the present time; and (4) what is said in Canada about the Railway, and a brief conclusion.



PROCEEDINGS OF THE CANADIAN GOVERNMENT AND PARLIAMENT BEFORE THE COMPANY WAS BROUGHT OUT IN LONDON.

The accompanying map of Nova Scotia, on which the position of the railway is marked, shows that the object in view in constructing it was to shorten the journey from ports on the Gulf of St. Lawrence to ports in the Bay of Fundy and also further south, by transporting vessels by the railway across the Isthmus of Chignecto, thus avoiding the necessity of going out into the Atlantic and round Nova Scotia, and effecting a saving of several hundred miles. From the time when the provinces of Canada were federated and became the Dominion of Canada in 1866, an increasing interest was taken in opening a route across the Isthmus of Chignecto in order to effect this purpose. The idea took practical shape in November, 1870, when a Royal Commission specially reported upon the feasibility of a Ship Canal across the Isthmus, and strongly recommended its being carried out. The Report said that the creation of a trade channel across the Isthmus would justify its construction at almost any cost.

The Government intended to carry out the work with public money, and in 1872 and 1873 the Conservative Government then in office voted money to commence construction. The Liberal Government, which came into office in 1874, continued this policy and also voted money for construction. The work was first estimated to cost \$5,317,000. Subsequent surveys, however, placed the cost at a much higher figure, indeed some of the estimates were as high as nine or ten million dollars, and these increased estimates led to a postponement of the scheme. Meantime Mr. Ketchum, a Canadian civil engineer, placed proposals before the Government for a Ship Railway instead of a Canal. These were submitted to Mr. Collingwood Schreiber, C.M.G., Chief Engineer to the Canadian Government, and his Report is quoted in an Order in Council, approved April 10th 1882. As the subsequent Acts of the Canadian Parliament were passed on the recommendations contained in this Order, it is set out on page 49.

The Order in Council shows that before Parliament was asked to grant a subsidy, the Government were entirely satisfied as to the advantageous character of the Ship Railway proposals. It states in brief:—

1. That for many years great importance had been attached to obtaining means to shorten the water distance between the St. Lawrence and the Bay of Fundy.

2. That with this object the scheme of a Ship Canal had been kept in view since 1825.

3. That the Royal Commission appointed in 1871, after an exhaustive examination, reported entirely in favour of it, and added that—

“The advantages are clearly pointed out by the Boards of Trade of all the leading cities of Canada and men interested in the development of our commercial interests, not simply merchants of St. John and other places in the locality, but merchants of Hamilton, Toronto, Ottawa, Montreal, and Quebec, &c.”

4. That the Ship Canal estimates proved to be higher than they were expected to be, and that the Government were to spend their own money in construction. The Railway scheme was then proposed and its suitability and great commercial value to the country were recognised.

5. That the Government referred the plans and estimates to their Chief Engineer, Mr. Collingwood Schreiber, C.M.G., by whom they were approved.

6. That the Ship Railway was adopted in place of a Ship Canal because it was—

- (a) practicable of execution ;
- (b) a good substitute for the Ship Canal ;
- (c) and had great advantage in respect to cost as compared with the proposed Canal.

In Mr. Schreiber's Report on the Ship Railway scheme, dated February 4th, 1882, he quotes the following opinion of the Royal Commissioners as contained on page 79 of their Report :—

“The evidence submitted points out with remarkable force and unanimity the necessity of opening a highway for commerce between the Gulf of St. Lawrence and the head waters of the Bay of Fundy through the Isthmus of Chignecto dividing them.”

The last paragraph in the Report of Mr. Schreiber is as follows :—

“Assuming that the importance of a Ship Railway over the Isthmus was, at the time of the Commissioners' Report, so great as is therein stated, it must be much greater now, considering the large increase since that date in the trade of the country affected by the proposed work.”

On the recommendation of the Government, contained in the Order in Council already referred to, Parliament then took up the business. In 1882 two Acts were passed, one incorporating the Chignecto Marine Transport Railway Company, Limited, and the other providing a subsidy of \$150,000. a year for 25 years. The names of the Incorporators (21 in number) are given in the Act of Incorporation. They were all Canadians with the exception of Mr. Edwin Clark, who, as the inventor of hydraulic machinery used in lifting docks, was for that reason included.

In all Acts of the Canadian Parliament authorising and subsidising any public work it is necessary to make the statement contained in Clause 16 of the Act of Incorporation, which is as follows :—

“It is hereby declared that the construction of the said railway is of general importance and a work for the general advantage of Canada.”

But the Canadian Parliament did not limit itself to stating in the Acts what was merely legal and necessary. In the preamble of the Act conferring the subsidy it says that this is given—

“In consideration of the great advantages which would accrue to the Maritime Provinces and the Inter-colonial trade of Canada generally from the construction of a Ship Railway across the Isthmus of Chignecto, &c., &c.”

and in the preamble of the Act incorporating the Company it states that the Petition of the Incorporators is granted because the construction of the Railway would be —

“especially conducive to the development of the commercial interests and coasting trade of the Maritime Provinces of the Dominion.”

When Parliament, on the recommendation of the Government, voted the subsidy to the Railway, it gave the most complete proof in its power that it was satisfied as to the merits and commercial value of the undertaking. And it went beyond this, as the foregoing shows that the Canadian Parliament were so anxious to see the Railway carried out, that it recommended it to British investors in the emphatic language quoted above from the two original Acts. In 1883 a further Act was passed amending the Incorporation Act of the previous year, and settling the amount of the Capital Stock and Mortgage Bonds.

The opinion of Parliament was summed up by Sir John Macdonald, then Premier of Canada, who, when the first Bill was before the House on the 11th May, 1882, spoke of the great advantage to Canada of the financial proposals in regard to the Ship Railway, and said—

“The amount we are called upon to expend is comparatively small, and we are not called upon to expend that until we have assurance of its success. I think the Government is to be congratulated on taking up the matter in the way it has.”

Meantime, Mr. Ketchum came to London, placed the scheme and the Acts of Parliament before Sir Benjamin Baker, K.C.B., and other eminent Engineers and Railway Contractors. The Engineers in London who were consulted approved of the Railway as mechanically suitable for the purpose of carrying ships over the Isthmus, but Mr. Ketchum could not obtain the capital to carry it out on the terms offered by the Government. During the three years following 1882, Mr. Ketchum

came from Canada to London several times in connection with the business, and in 1886, in order to furnish an additional inducement to British investors the Government passed another Act changing the Subsidy of \$150,000 a year for 25 years to \$170,602 for 20 years. The contract to construct the Railway which was to be completed by the 1st July, 1889, forms the schedule to this Act.

Sir Benjamin Baker went twice to Canada in connection with the scheme, and as the Railway was novel and unique in character, careful and detailed surveys beyond what are usually necessary had to be made, and this work could only be carried out during about seven months in the year, as for about five months the ground is covered with snow.

Therefore the preparation of surveys and plans—as is frequently the case in such undertakings—occupied more time than the Engineers expected. These, therefore, were not completed until 1888. Sir Benjamin Baker took them with him to Canada, and they were approved by His Excellency the Governor General on the 23rd May, 1888. In a Report of a Committee of the Honorable the Privy Council recording their approval of the plans and specifications, there is the following passage:—

“The Minister recommends that approval be given thereto as representing the standard and specification; completion of the said works in accordance with which will be regarded by the Government as entitling the Company to the subsidy contemplated by the Act aforesaid.”

On account of the time necessary to prepare and complete the plans and obtain the approval of the Canadian Government, the Incorporators had to apply to Parliament in 1888 for an extension of time, and another Act was passed in that year granting an extension of twelve months, that was, until the 1st July, 1890, and also a further extension of two years, that was, until the 1st July, 1892, under a penalty of \$5,000 a month for each month during which the Railway remained uncompleted. The Finance Clauses of the previous Acts were also amended by this Act and the Capital increased.

All that took place down to this time was done by the Canadian Parliament for the 21 Incorporators whose names are given in the original Act. There was no promotion of the enterprise by your Directors or anyone else in England. The incorporators who joined together and formed what I may call a *pro forma* company to see the scheme carried into execution were not promoters in the ordinary sense. They never had any financial interest in the Company either before the capital was found in London or since then. They made no profit in any way out of the business; indeed, some of them who incurred expenses were never repaid. With the exception of Mr. Edwin Clark they were all Canadians, many

of them were well known public men, and it was from motives of public spirit that they acted as incorporators and formed the Company, the object being to obtain the capital in London. The gentlemen who so acted were merely part of the necessary machinery to create a company with whom the Government might make a contract and to whom they might give a subsidy, both of which were to be afterwards transferred to the British investors who found the capital. Of these incorporators, Mr. Ketchum alone was afterwards connected with the enterprise, because the railway was originally projected by him.

Everything was done openly in Parliament, which had full knowledge of the actual position and intentions of the Incorporators, and it was perfectly well known that they were coming to London to find the capital. This was stated in the House by the Hon. Alexander Mackenzie, who was then leader of the Liberal Opposition (the Party now in power), on the 11th May, 1882, when the first Act was introduced into the House. He then said that—

“he (Mr. Ketchum) will no doubt obtain the money in the English market with the guarantee of the Canadian Government.”

The same language was held during all the time from the passing of the first Act in 1882 to the last Act in 1888, on which occasion Sir Charles Tupper, who was then Finance Minister, said:—

“The Government is not asked to pay any money, but simply to enable English capitalists to furnish all the money required to give us the work at half the cost we could obtain these advantages in any other way.”

Therefore, between 1882 and 1888, the Government passed two original Acts, and amended them by subsequent Acts passed in 1883, 1886, and 1888, for the *pro forma* Canadian Company composed of the 21 Incorporators, with the sole object of making the enterprise sufficiently satisfactory to investors on this side, to induce them to find the capital.

The foregoing is a brief account of the Parliamentary history of the enterprise before it was brought out in this country and the capital offered for subscription. Before it was introduced to Parliament at all, it had obtained the sanction and approval of the Canadian Government. The scheme stood the test of a long and complete examination in Canada by Engineers, including the Chief Engineer to the Government, by the Ministers, by Parliament, and by leading commercial authorities. The detailed plans were all submitted to, and obtained the sanction of, the Government. Leading Boards of Trade in important cities and other public bodies passed resolutions cordially supporting the enterprise, on account of the commercial advantages which would follow its construction. The resolution to this effect by the Board of Trade of St. John, New Brunswick, will

be found on page 50. The local authorities in the district through which the Railway passed purchased and gave to the Company all the land required for the undertaking. The advantages as compared with the Ship Canal were repeatedly dwelt upon. The latter would have been constructed at Government expense, and the Ship Railway was deliberately adopted not only because it would save the Government from incurring this outlay, and also from its superiority over a Ship Canal for the purpose of supplying the needed trade route across the Peninsula, but likewise from the fact alluded to by the Premier, Sir John Macdonald, in his speech quoted on page 7, that unless the Railway was completed to the satisfaction of the Government, they would not be liable to pay any subsidy, and that afterwards the subsidy would be payable only while the Railway was satisfactorily operated.

It would be difficult to name any enterprise of the kind ever brought to London to be financed that was more completely fortified than this was by all the evidence and guarantees that our Engineers and Financiers could look for before bringing it under the notice of investors. For many years before the Ship Railway was proposed, the Ship Canal was warmly advocated by all parties, and the Ship Railway scheme when brought forward, presenting as it did so many advantages over a Canal, was eagerly adopted and promoted in every way by the Canadian Government and Parliament. Every statement went to prove that it was desired by the Canadian Government and Parliament as a necessary public work, and we had every assurance that it would be successful both as an engineering scheme and also as a commercial venture.

RAISING THE CAPITAL IN LONDON AND COMMENCING CONSTRUCTION OF THE RAILWAY.

When the Act of 1888 was passed extending the time to complete the Railway and finally fixing the amount of capital to be issued, the Canadian Parliament had completed all that was necessary to enable the Company to be brought out in London and for the Shares and Debentures to be offered to the public for subscription.

Your directors were then invited to become Members of the Board in London. None of them had any previous connection with the enterprise or with the Canadian incorporators who first formed the Company.

The capital required to meet the contract for construction was £700,000 in Debenture Bonds and £300,000 in Preference Shares.

When everything was ready to make the capital issues, it was found that in the previous year the Canadian Parliament had passed a General Railway Act which regulated the formation of all railway companies in Canada except in so far as they were governed by special Acts. Section 93 of this General Railway Act deals with the issue of Bonds, and, after setting out certain particulars relating to them, it says in sub-section 4:—

“but no Bonds or Debentures shall be issued until 20 per centum of the cost has been actually expended on the work.”

The above sub-section, therefore, prevented the Directors from issuing any Debentures then, and consequently they could only offer the £300,000 Preference Shares. The Prospectus offering these was issued on the 20th March, 1889, and the whole amount was immediately subscribed for at par.

The work of construction was proceeded with as rapidly as possible, but £220,000 had to be expended on the Railway before the Company was legally entitled to issue any of the £700,000 Debentures, and this amount was not expended until the end of the following November. Meantime a change had come over the money market in consequence of threatened financial difficulties in the Argentine Republic and other countries. On this account your Directors could only obtain subscriptions for £250,000 of the Debentures out of the total amount of £700,000 authorised. The Prospectus for the £250,000 in Debentures was issued late in 1889, and they were subscribed for at £108 10s. per £100 Bond.

Early in 1889, when the Preference Shares were subscribed for, the £700,000 of Debentures could also have been issued and the whole capital required to complete the Railway been procured. No subsequent financial difficulties

could then have interfered with its completion. But the compulsory postponement until the end of 1889 was fatal, and it was the sole cause of the Debentures not being subscribed for when a sufficient amount had been expended on the work to legally entitle us to issue them.

In the prospectuses offering the Preference Shares and Debentures for subscription to the public, the Subsidy Clause in the Act of Parliament was set out, so that every investor knew the terms and conditions on which it became payable. This clause is reprinted on page 50.

When the proceeds of the Debentures which were sold had been expended on the work, it then became impossible to issue any more on account of the increasing feeling of distrust in the public mind as to the financial outlook of affairs in the Argentine Republic. Therefore, as the work proceeded, the Contractor was paid in the Debentures themselves against the Engineers' Certificates for work done. The total amount of Debentures issued by the Company was £404,900 leaving an un-issued balance of £295,100 making £700,000 altogether.

Many difficulties were encountered in carrying out the work. There was an unprecedented rainfall which kept the ground flooded and stopped work for a considerable part of a whole season. It was also found necessary to make extra excavations in the docks, the foundations for which had to be carried twenty-four feet deeper than originally intended, in order to obtain solid foundations for the masonry. The supply of labour was also limited, on account of large works being then carried on in the neighbourhood, which prevented the sub-contractors from being able to obtain as many men as they would otherwise have employed. A very serious difficulty was met with at one part of the line where the ground was found to be so boggy that immense excavations, far beyond what were originally estimated, were found to be necessary to prevent possible subsidence afterwards. For these reasons the Contractors found that they would require a further year's time to complete the Railway, that is to say to 1st July, 1893.

Application was therefore made to the Canadian Government in the beginning of 1891 for an extension of time for one year, and to have the Clause repealed in the Act of 1888 involving the liability to pay \$5,000 per month for each month the works were in an unfinished state after the 1st July, 1890. I have been unable to ascertain why this penalty was put in the Act of 1888. It was done by the Canadian Incorporators the year before we were connected with the enterprise. So far as I know the Canadian Government did not ask for it, and they made no objection to its being repealed in 1891.

Besides constructing the Chignecto Railway the Contractors were at the time carrying out extensive railway contracts in the Argentine Republic, for which

they were unable to obtain payment, and as they could not sell any of the Company's Debentures beyond the £250,000 originally issued to the public they shortly afterwards found that they had exhausted their means and were therefore compelled to suspend the construction of the Railway. When operations were suspended nearly three-quarters of the total work on the Railway had been done, and but for the insurmountable difficulties which the Contractors had to contend with, the Railway would most likely have been completed and ready for being opened in 1892, or early in 1893.

I have already explained in the first part of this Report how the Canadian Government and Parliament encouraged and promoted the enterprise. It is therefore of importance to see how this was looked upon by a leader of the Opposition in 1891. When the Bill, asking for the extension of one year, was then before the House, the Hon. Sir Richard Cartwright, now Minister of Trade and Commerce in the present Government, made a short but remarkable statement showing the responsibility of the Canadian Government for the promotion of the Railway, and the relation in which they stood towards our Share and Debenture holders. These are his words delivered on the 29th May, 1891 :—

“The fact of Parliament granting a subsidy of \$170,000 a year for twenty years to this railway, will imply to the minds of English capitalists, from whose pockets I take it this money is expected, that the Canadian Government has looked into the work, that they believe it to be a valuable work, and that it may fairly be implied that the Government believe it to be reasonably profitable to those people whose money we are practically securing in consequence of our having granted a subsidy.”

Comment cannot add force to the above language, as Sir Richard Cartwright states explicitly that our investors by the offer of a subsidy understood that the Canadian Government had looked into the work, that they believed the Railway was a valuable work and that it would be reasonably profitable.

The sole responsible cause of the Contractor being compelled to stop the construction of the Railway, and of all the Company's subsequent trouble was the enactment by the Canadian Parliament of sub-section 4 of Clause 93 of the General Railway Act of 1888. But for the change in the law then made, the Company could have issued all the Debentures early in 1889—when the Preference Shares were subscribed for—and secured the entire capital required to complete the Railway, but the sub-section made this course impossible, and when the Company became legally entitled to issue the Debentures, the state of our money market made it no longer possible to do so.

And it is to be noted that it was afterwards discovered that the enactment of this sub-section, which wrought our Company so much mischief

was found to be a legislative blunder, and in 1892 Parliament was compelled to repeal it, which they did by Section 4 of the Act, Chap. 27, of that year.

Our Company was therefore forced into its difficulties by the unfortunate error of the Canadian Parliament itself in passing into law what they afterwards found to be a totally unworkable condition, and secondly by the long continued financial disturbance in London during which so many great financial houses suspended payment which made it impossible to repair the legislative mistake.

Therefore you, the Share and Debenture holders, are sufferers, not from any failure on the part of our Company, but from the default of our Contractors, who when they made the Contract were in a position of undoubted monetary standing and were perfectly competent to undertake such a work. The circumstances are such as to entitle us to the active sympathy of the Canadian Government, and this should be extended to the Contractors, whose default was caused by the Act of the Canadian Parliament itself, the consequences of which they were unable to withstand owing to the long continued monetary depression and to the non-fulfilment of obligations by Governments for whom they were carrying out large contracts in South America.

WHAT OCCURRED AFTER THE CONTRACTORS SUSPENDED CONSTRUCTION.

When construction was suspended on the Railway, the Contractors were of opinion that the difficulties would be only temporary and that work would be resumed in the following year.

The Board first memorialised the Government for financial assistance. Their communication was replied to by the Hon. Geo. E. Foster, then Minister of Finance, and in stating that the Government could not give such assistance, he added these words at the end of his letter :—

“In coming to this conclusion, the Government desires to recognise the energy and thoroughness with which the Company has carried forward its work, and to express sympathy with it in the unusual and untoward circumstances which have been mainly instrumental in producing what it is hoped will be only a temporary embarrassment.”

Early in 1892, as it was found impossible to issue any Debentures, I proceeded to Canada and asked the Government to grant the Company an Act authorising the issue of £350,000 in First Preference Debenture Bonds, which would be sufficient to complete the Railway, and also to extend the time beyond the 1st July, 1893, as it had then become impossible to raise the capital and complete the work before that date.

Parliament thereupon passed an Act authorising the issue of £350,000, and the Government granted an Order in Council approved 9th July, 1892 (see page 51), in which, after stating the particulars of the outlay on the works, the amount required to complete them, and the fact that unless the Company had the assurance of the Government of Canada that the time would be extended it would be impossible to make the new Debenture issue, the Order concluded with the two following paragraphs, in the first of which it is stated “that the suspension of the works was owing to unforeseen circumstances.”

“The Minister, under these circumstances, and in view of the large amount of private capital which appears to have been already invested in the works, of the further fact that the works appear to be so nearly completed, that the suspension of the works was owing to unforeseen circumstances, and that it would appear necessary in order to obtain the further capital, and to complete the works, to have the additional time asked for, recommends —

“That provided that the works necessary to complete the Railway and appurtenances are actually in progress, and the Company established to the satisfaction of the Governor in Council, that it has secured all the capital necessary fully to finish and equip the railway, docks, and other works of the Company in all respects according to the requirements of the Contract above mentioned on or before the 1st July, 1894, and that an extension of time to the said date for the completion thereof is necessary, the Government at the next session of Parliament will recommend to Parliament the

legislation necessary to extend until the 1st July, 1894, the time within which to complete said Railway and appurtenances according to the said contract."

After receiving the Act authorising the issue of £350,000 First Preference Debentures, the Board could not find any sufficiently substantial Contractor to undertake the work, and therefore, I again went to Canada in September, 1892, to endeavour to find a Canadian Contractor, as this had been suggested to me by the Canadian Government while in Ottawa in the previous May.

In the above quoted clauses from the Order in Council an extension of time is promised to the Company if they secure the necessary capital on or before the 1st July, 1894, and in other communications, and also verbally, the language held to us always implied that when we were ready with our capital to recommence construction, the necessary time would be granted to complete the Railway.

On the 20th March, 1893, a Deputation of Share and Debenture holders waited on the Right Hon. Sir Charles Tupper, Bart., then High Commissioner for Canada, and by memorial asked for two years' time. In replying to the Deputation, he said :—

"That whenever at any reasonable time the Company are in a position to show they have obtained the necessary means to carry forward the work and resume it, the spirit of this Order in Council will be carried out and the time will be extended to such a period as will be fairly necessary to carry out the work."

In reference to the Government of Canada, he added :—

"That they will give you whatever extension of time is found necessary to enable this enterprise, involving such a large amount of money which in good faith has been expended, to be carried to successful completion, I entertain no doubt whatever."

A week after this, namely on the 28th March, 1893, I went to Paris and met the Hon. Sir John Thompson, then Premier of Canada, and Sir Charles Hibbert Tupper. I laid before them the Memorial to the High Commissioner and explained that as the time was then insufficient to complete the Railway before the 1st July, 1894, it was impossible for us to raise the capital by the Preference Mortgage Debentures. Sir John Thompson admitted the necessity of obtaining two years' time and requested that prints of the Memorial to the High Commissioner and of his reply should be forwarded to the Secretary of State at Ottawa. He explained that no Orders in Council could be issued until he returned to Canada when he promised to place the matter before the Cabinet. They both expressed themselves as in entire agreement with the High Commissioner's statements in reply to our Memorial as to extending the time.

In October, 1893, I again went to Canada to endeavour to obtain the necessary extension of time. I saw Sir John Thompson in Ottawa but was informed that the question could not be considered until the return of the Ministers, who were then absent.

On my return from Canada in November, 1893, as the financial depression had become less severe, we succeeded in making a provisional arrangement with Messrs. Pearson and Sons, Contractors, of Victoria-street, who agreed to send Engineers to inspect the works in the following spring, as soon as the snow was off the ground. Accordingly, as early as it was possible in 1894, Messrs. Pearson sent Engineers to survey and report on the Railway preparatory to making a contract to complete it. Their report was received in London early in June. A contract was thereupon entered into and the original Debenture holders subscribed for sufficient First Preference Mortgage Bonds to complete the work. When these arrangements were completed, a statement was forwarded to Sir Charles Tupper, Bart., the High Commissioner, who was satisfied that the Company were in the position required by the Order in Council of 1892, and I forwarded the following telegram to Ottawa:—

“To the Right Honorable Sir John Thompson, Ottawa.

“We have now secured the Capital to complete the Chignecto Railway, and have settled with first-class firm of Contractors to commence the works immediately that we receive an extension of time sufficient to complete them, say two years, for which I now apply on behalf of Company.

(Signed) A. D. PROVAND.”

Sir John Thompson replied by cable that it was then too late in the Session to consider the question.

Notwithstanding this, accompanied by Messrs. Pearson's Engineer, I went to Canada in July. The Session had, however, closed before my arrival, but I saw Sir John Thompson and also the Hon. Mr. Foster, then Finance Minister. I explained that we were ready to recommence construction as soon as legislative reinstatement enabled us to raise our capital. Sir John Thompson advised, and Mr. Foster confirmed the advice, that I should memorialise His Excellency Lord Aberdeen, Governor General, and before leaving Canada I wrote and sent to His Excellency two Memorials, one on behalf of the Board of Directors and the other on behalf of the Debenture and Share holders, asking for the necessary legislation extending the time to enable us to complete the Railway. No reply was received to these Memorials.

In October, 1894, the Hon. Mr. Foster came to London in connection with financial business of the Canadian Government, and a Deputation of the Share and Debenture holders waited on him. In the course of his reply to the Deputation Mr. Foster said:—

“The Government, however, in this matter is bound to take in other considerations than those of strict and absolute legality, and I can assure you—and that is as far as I can go in an assurance as a responsible member of the Government—that the Government will take this matter up as was promised Mr. Provand, and we will give it our

best consideration on the grounds of what might be called moral obligations—of how it may affect credit, and also, as we are primarily bound to do, in respect of the best interests of our own people, for whom we are trustees, and for whom we are bound to act with great care and prudence.

“I think you are perfectly right in asking that you should have a decision upon this question as soon as possible. It has been impossible, and I may say it is impossible, to have a question of this gravity considered without what we call a full meeting of Council, and circumstances during the holidays have rendered it impossible for the Government to be assembled in force. As you know, Sir John Thompson is coming to London for a few weeks, and as soon as he returns I have no doubt at all that the Government will take the matter up and dispose of it so that you may, I think, confidently look for an answer to this question somewhere about the middle of December.”

The foregoing admits that the moral obligation of the Government to the Company was very strong, that we were perfectly right in asking for a decision as soon as possible, and informs us that this decision would be sent to us about the middle of December.

A few weeks afterwards Sir John Thompson arrived in London and I had an interview with him on the 11th December at the Office of the High Commissioner. He said that he was too ill to receive a Deputation but added that he agreed entirely with what Mr. Foster had told the Deputation which had waited on him in October, and in answer to my request said that after he returned from Windsor he would write a letter to the Secretary of the Company, stating why he was unable to receive a Deputation, and also that he would “endorse Mr. Foster’s statements.” At this time he was preparing to go to Windsor, where he died suddenly two days afterwards under very painful circumstances. The promised letter was therefore never written.

The death of Sir John Thompson was followed by the Hon. Sir Mackenzie Bowell becoming Premier of Canada, and as this affected the Canadian Cabinet arrangements, the reply promised by Mr. Foster was not received, but in May, 1895, I was summoned by cable to Ottawa, as the Government were then ready to settle the question. I arrived there on the 14th May. After being a fortnight in Ottawa the Hon. Mr. Foster, Minister of Finance, wrote to me that the Government found it was impossible for them to consider any Bills that session involving monetary liability. His letter is dated May 29th, 1895, and the last clause in it is as follows :—

“The Government will, however, take up your case for final disposition next year and you may consider that the consequent delay does not in any way imply an unfavourable view of the Company’s claims, and is undoubtedly without prejudice to their future consideration.”

As the Government decided to have a short Session beginning in January, 1896, I went to Ottawa in December, 1895.

In order to renew the Company's charter and subsidy, it is necessary that two Acts should be passed by the Canadian Parliament. The first would be by a Private Bill which had to pass before the second—the Subsidy Bill—which would be a Government measure, could be introduced.

The Bill renewing the Company's charter was introduced, and the second reading taken on the 9th March, 1896, when it was defeated by a majority of 1. Under these circumstances the Bill was again put down as a Government measure to be replaced on the Orders for second reading. After another Debate the division on this was taken on the 26th March and the Bill replaced on the Orders of the House by a majority of 17.

Meantime the Government had introduced the Manitoba School Bill—a most contentious measure—and as it was certain that it would occupy all the rest of the time of Parliament, which had to rise in April, and that I should be unable to do anything more for the Company, I left Ottawa early in March and returned to London.

After Parliament rose the Government issued an Order in Council, approved 22nd May. (See page 52). This Order recites the previous Order in Council of 9th July, 1892, and in the three paragraphs quoted below places the following facts on record, namely :—

“The Minister observes that under the provisions of the last paragraph of the Order in Council first above cited, the Company, before the 1st of July, 1894, secured all the capital necessary to fully furnish and equip the Railway, Docks, and other Works of the Company in all respects in accordance with the requirements of the contract above mentioned, and is now ready and desirous to proceed at once to the completion of the said Railway, Docks, and other Works, provided an extension of time within which to complete the same for the purpose of the Contract entered into with the Department of Railways and Canals on the 4th of March, 1886, be granted to them ; such extension not to exceed three years from the 1st of October next.

“The Minister further states that it appears to him that the delay which has occurred since the passage of the Order in Council above cited, has been owing to circumstances entirely beyond the control of the Company who are *bonâ fide* desirous of completing their undertaking.

“The Minister, therefore, recommends that at the next Session of Parliament the Government submit the legislation necessary to extend, for the period mentioned above the time within which to complete the said Railway and appurtenances according to the said Contract.”

The above Order acknowledges that the delay subsequent to the Order in Council of the 9th July, 1892, “has been owing to circumstances entirely beyond “the control of the Company,” etc., and is a full and complete recognition by the Canadian Government then in office of the Company's claim to reinstatement.

The Canadian General Election took place in June, and on the 15th of August following some of the new Ministers were in Ottawa and I went there to meet them.

A Committee of the Privy Council was appointed to hear my statement and to report to the Cabinet, and I had the honour of presenting the case of the Company before this Committee on 2nd September, 1896. Being under the impression that I should obtain an answer I waited until the end of October when the Government informed me that they could not state their intentions until a period nearer the time of the meeting of Parliament.

As no answer was received, a Deputation of Share and Debenture holders waited on Lord Strathcona, the High Commissioner for Canada, on the 16th February, last year, and pressed for a reply. Their Memorial was forwarded to Ottawa. When Sir Wilfrid Laurier came to London for the Jubilee, a similar Deputation waited on him at the office of the High Commissioner on the 13th July, and on the following day I had another interview with Sir Wilfrid and Lord Strathcona. The proceedings at the Deputation were fully recorded, but they would occupy too much space to include in this statement. In brief, we pressed them for an answer to our application. We had been ready from June, 1894, to recommence construction and complete the work, and had during all that time been unable to obtain any definite reply from the Government as to what they would do. We desired to be reinstated in order to complete the railway, but we represented that if the Government for any reason decided not to reinstate us, then we considered that we were entitled to be compensated, and were agreeable to negotiate with them as to the amount which would be fair compensation, and if we failed to agree as to this, we were willing to leave the question of amount to be settled by arbitration. Sir Wilfrid Laurier promised that the question should be taken up and dealt with immediately on his return to Ottawa, and after his return I received the following letter from him.

Ottawa, 28th September, 1897.

DEAR MR. PROVAND,

With reference to the Chignecto question, I brought the matter to the attention of my colleagues on my return from England, and it has been referred to a Sub-Committee of the Privy Council for consideration and report.

I am aware that time is an object with you, and that you are naturally impatient of having an answer. This I can promise at an early day whether the answer be affirmative or negative. The period of suspense must come to an end promptly.

Yours respectfully,

(Signed) WILFRID LAURIER.

A. D. Provand, Esq., London.

This brings the account of the negotiations down to a very late date. There was a very large correspondence carried on by myself, the details of which it is unnecessary to set out, as the foregoing substantially covers all matters of importance. It will be seen that since May, 1892, a period of almost six years,

we have been unceasing in our endeavours to rescue the Company from the position in which it was placed by the legislative Act of the Canadian Parliament and the consequent default of the Contractors. It is a long and melancholy account, largely made up of Ministerial expressions of sympathy, of Ministerial promises on behalf of the Canadian Government, and of postponements to consider our Memorials, for only a few of which any reasons were given.

At length, on the 16th February last, I received a letter from Lord Strathcona enclosing the following Order in Council approved 27th January containing the Report of the Sub-Committee of the Privy Council to whom the question had been referred, the conclusion of which is that the Sub-Committee "are of opinion "that the scheme cannot be regarded as one of such public utility as would "warrant an application to be made to Parliament for a renewal of the lapsed "subsidy."

It will be observed that nothing is said in the Order as to our claim for compensation nor has anything been received from Ottawa on this point up to the present time.

Extract from a Report of the Committee of the Honorable the Privy Council, approved by His Excellency the Governor-General on the 27th January, 1898.

The Sub-Committee of the Privy Council to whom the subject of the Chignecto Marine Railway Company was referred, report as follows :—

"*First.* It appears that in the year 1882 a subsidy of \$150,000 a year for a period of 25 years was authorised to be paid upon the construction of this railway, provided it was completed by the 1st of July, 1889.

"*Second.* In 1886 a formal indenture was entered into between the Officers of the Chignecto Marine Railway Company and the Government of Canada, whereby the said Company agreed to complete the said road by the 1st of July, 1889.

"*Third.* In 1888 an extension of one year appears to have been granted by Parliament coupled with the proviso, that in the event of failing to complete the road by the 1st of July, 1890, the Company should be allowed a further extension of two years on condition of paying a fine of \$5,000 a month to the Government of Canada for each month during which the works remained uncompleted.

"*Fourth.* In 1891 a still further extension to July the 1st, 1893, was applied for and granted by Parliament to the Company, and penalties incurred for delays amounting to \$60,000 a year remitted.

"*Fifth.* Subsequent to these extensions, the Company entered into negotiations with the late Government in the year 1892 for the purpose of procuring still further extensions, but the conditions on which the then Government in their Order in Council of 1892 agreed to recommend a further extension, to wit, that the Company should show that they had placed themselves in such a financial position as to enable them to proceed with the work, and should also show that actual progress was being made; were not complied with during 1893, nor was any intimation given to the Government that the Company was able to comply with the said conditions until a period of two years or thereabouts had elapsed from the passing of the said Order.

"*Sixth.* It further appears that a proposition to renew the charter of the Company, although supported by the late Government, was defeated in Parliament in 1896 on the express ground that a renewal of the charter might involve a renewal of the subsidy.

"*Seventh.* That the late Government did on the 22nd of May, 1896, after the dissolution of Parliament, pass an Order in Council agreeing to recommend the revival of the said subsidy, but that such Order, being passed in direct defiance of the decision so recently arrived at by Parliament can in no way be regarded as binding upon their successors much less on the Parliament of Canada by whom such questions must ultimately be decided."

The Sub-Committee observe that it would appear therefore, that so far from having been rigorously dealt with, the Company has received repeated extensions and have failed to comply with the stipulations agreed to by themselves in sufficient time to permit of legislation in their favour.

It would also appear that the late Government were unable to obtain a renewal of the Company's charter from Parliament, and throughout the several discussions strong protests were invariably made against further extensions, and that the Company were warned that such applications would not be favourably regarded.

The Sub-Committee, in view of the above recited facts and bearing in mind the almost universal testimony of experts and practical men of all shades of opinion that it is no longer possible to believe that this enterprise can become a commercial success, under any circumstances, are of opinion that the scheme cannot be regarded as one of such public utility as would warrant an application to be made to Parliament for a renewal of the lapsed subsidy.

The Committee, concurring in the above report, submit the same for Your Excellency's approval.

The following was the reply which I sent to Sir Wilfrid Laurier in answer to the above Order in Council. I hope you will carefully read this letter, as it shows the technicalities with which the Canadian Government have tried to make out an apparent case against the Company, and how these are supplemented by the omission of important facts, by giving undue importance to others, and by allegations which we, at least, cannot verify.

LONDON, 26th March, 1898.

To the Right Honorable

SIR WILFRID LAURIER, K.C.B.,

*Prime Minister and President of the
Privy Council, Ottawa, Canada.*

CHIGNECTO MARINE TRANSPORT RAILWAY COMPANY, LIMITED.

SIR,

On February 16th I received a note from Lord Strathcona enclosing a copy of an Extract from a Report of the Honorable the Privy Council, which Lord Strathcona informed me contained the decision of the Government in regard to the application submitted on behalf of the Chignecto Marine Transport Railway Company for a renewal of its Charter and its Subsidy.

In a letter to Lord Strathcona dated February 17th, which was forwarded to you, and also in a letter dated February 25th, which I sent to you through Lord

Strathcona, I drew attention to the fact that when we had the honour of meeting you in London last summer, you informed the deputation of investors and myself that there might be difficulties in the way of obtaining the consent of Parliament to the reinstatement of the Company, and I then said that if the Cabinet decided not to recommend Parliament to reinstate the Company the investors would be willing to consider terms of compensation, and the substantial question I put in the two letters above referred to was whether the Government would either come to some agreement with us as to the amount of compensation, or failing agreement, would consent to have the question of compensation referred to an arbitration in which the Company's equitable rights should be fully taken into consideration.

I expected that the Sub-Committee when considering reinstatement would also have considered these points, and that before this we should have had a reply to the letters above referred to; but Mr. Ferguson, Q.C., of Ottawa, has recently wired that an answer would be received in about a fortnight. On account of this postponement I take the opportunity of sending a brief reply to the Report of the Sub-Committee which will arrive in Ottawa before the fortnight elapses.

The Report of the Sub-Committee consists of seven clauses. It will be convenient to take the first three by themselves as they relate to the original Acts incorporating and subsidising the Company.

"The Sub-Committee of the Privy Council to whom the subject of the Chignecto Marine Railway Company was referred report as follows :—

"First. It appears that in the year 1882 a subsidy of \$150,000 a year for a period of 25 years was authorised to be paid upon the construction of this railway, provided it was completed by the 1st of July, 1889.

"Second. In 1886 a formal indenture was entered into between the Officers of the Chignecto Marine Railway Company and the Government of Canada, whereby the said Company agreed to complete the said road by the 1st of July, 1889.

"Third. In 1888 an extension of one year appears to have been granted by Parliament coupled with the proviso that in the event of failing to complete the road by the 1st of July, 1890, the Company should be allowed a further extension of two years on condition of paying a fine of \$5,000 a month to the Government of Canada for each month during which the works remained uncompleted."

The above is an incomplete account of the origin of the Company and of what was done by the Government and Parliament. I mentioned the principal facts in the Statement of the Company's case, which I had the honour of placing before a Committee of the Privy Council on the 2nd September, 1896, and even at the risk of, to some extent, repeating what I then said, it is necessary that I should refer to the very important omissions from the above clauses in the Report.

The first two Acts to incorporate and subsidise the Company were passed in May, 1882. The preambles state that they were passed :—

“in consideration of the great advantage which would accrue to the Maritime Provinces and the Inter-colonial trade of Canada.”

from carrying out the Railway, which would be :—

“especially conducive to the development of the commercial interests and coasting trade of the Maritime Provinces, &c.”

In 1883 the Act of Incorporation was amended in regard to the Capital Stock and Mortgage Bonds which were to be issued. The Canadian Incorporators placed these offers of the Government before Finance houses in London and Sir Benjamin Baker, the eminent engineer, and from them they received the opinion that the Railway could not be undertaken on the terms. They returned to Canada, and in 1886 an Amending Subsidy Act was passed, altering the terms and making a Contract with the Incorporators to carry out the work.

Further examinations and surveys were made for the Incorporators by Sir Benjamin Baker, who went twice to Canada for this purpose. On this account an extension of time for one year was necessary in 1888, and in Section 3 of the Act of that year granting this, the Subsidy provisions were again amended to make them acceptable to investors.

Therefore the Canadian Government passed two original Acts in 1882, and amending Acts in 1883, in 1886, and in 1888. The value and importance to Canada of the enterprise was therefore affirmed and reaffirmed by the Government and Parliament, and the Subsidy and conditions were repeatedly altered until the capital was obtained from British investors.

It was openly stated in Parliament by Ministers and ex-Ministers on both sides of the House, that the object of passing the Acts was to obtain the capital in London to build the Railway. This was expressly referred to by the Hon. Alexander Mackenzie, the Leader of the Liberal Opposition of that day, who on 11th May, 1882, when the *first* Act was being considered, said that :—

“he (Mr. Ketchum) will no doubt obtain the money in the English market with the guarantee of the Canadian Government.”

And on the 19th April, 1888, when the *last* Act given to the Canadian Incorporators was before the House, Sir Charles Tupper, then Finance Minister, said :—

“The Government is not asked to pay any money but simply to enable English capitalists to furnish all the money required to give us the work at half the cost we could obtain these advantages in any other way.”

Therefore, from 1882 to 1888, the Government and Parliament promoted this legislation with full knowledge that the Incorporators would not carry out the Contract made with them to build the Railway which forms the Schedule to the Act of 1886, and that their action as Incorporators was merely directed to obtaining such measures from Parliament as would make it possible to raise the necessary capital in London.

The names of the 21 original Incorporators are given in the first Act of 1882. They were all Canadians with the exception of Edwin Clark, the inventor of the machinery used in the Lifting Dock. Many of them were well-known public men and they acted as Incorporators from motives of public spirit. They had no financial interest in the work either before it was capitalised or afterwards. They were not "promoters." They made no profit in any way. Some of them were out of pocket for expenses. The real promoters were the Canadian Government and Parliament, and they were the only promoters whom we investors ever knew. The Incorporators in the Act were to us merely a part of the Parliamentary machinery of Canada to legalise an enterprise of the kind. The only Incorporator who was connected with the Company after it was brought out in London was Mr. Ketchum, the Canadian Engineer, who acted as Resident Engineer to the Company. He was the original projector of the Railway and was largely out of pocket for preliminary expenses, only a part of which was ever repaid to him.

The third clause covers the year 1888. But nothing is said about the alteration of the General Railway law made in that year by Parliament, and as that change was the direct cause of all the difficulties which afterwards befell the Company, I am entitled to draw attention to it.

The connection of our investors with the Company commenced in March, 1889, by the issue of the Prospectus offering the Preference Shares. At that time the whole of the capital would have been subscribed if offered, but sub-section 4 of section 93 of the General Railway Act, passed in the previous year, prohibited the issue of Bonds and Debentures until one-fifth of the total cost of the work had been actually expended on it. We were therefore debarred from issuing our Debentures when we might have done so. All the consequences that followed to the Company were directly caused by this enforced postponement. I have dealt with this matter on pages 8 and 9 of the before-mentioned Statement, and the omission of all reference to it in the Report of the Sub-Committee is significant. We knew nothing of this sub-section until we came to issue the Company's capital, but being compelled to comply with it, we were forced to postpone the issue of the Debentures until the close of 1889, and could then only place a part of them, as the financial panic which ultimately overtook this country, as well as all the leading countries

of the world, was already threatening the money market. This sub-section was the direct cause of our being unable to complete the Railway, and the Canadian Government itself, having found that it prevented the execution of public works in Canada, was compelled to repeal it in 1892. I respectfully submit that the Canadian Government must be held responsible for the existence of this law which prevented the Company from obtaining the whole of the capital required at a time when this could have been found, and consequently prevented the completion of the Railway within the contract time.

Therefore with due submission I contend that the first three paragraphs of the Report are incomplete in their account of what took place, inasmuch as they omit all reference to the position which the Canadian Government and Parliament took up as promoters of the enterprise, and to the alteration made in the General Railway Act of 1888.

Clauses 4 and 5 of the Report to the Privy Council are as follows:—

“Fourth. In 1891 a still further extension to July 1st, 1893, was applied for and granted by Parliament to the Company, and penalties incurred for delays amounting to \$60,000 a year remitted.

“Fifth. Subsequent to these extensions the Company entered into negotiations with the late Government in the year 1892 for the purpose of procuring still further extensions, but the conditions on which the then Government in their Order in Council of 1892 agreed to recommend a further extension, to wit, that the Company should show that they had placed themselves in such a financial position as to enable them to proceed with the work, and should also show that actual progress was being made, were not complied with during 1893, nor was any intimation given to the Government that the Company was able to comply with the said conditions until a period of two years or thereabouts had elapsed from the passing of the said Order.”

The fourth clause of the above refers to what was the first application to Parliament by the investors as distinct from the original Incorporators, and it is these investors who really constitute the Company. All previous applications were on behalf of the Canadian Incorporators who had no connection whatever with the enterprise except to bring it by the aid of Parliament into a shape sufficiently attractive to the British investor to enable the capital to be raised in London.

Further, the Committee here take advantage of a fact which, instead of being used against us, should I venture to say, entitle us to generous treatment. When the Railway was brought to London we might have registered a new Company here before issuing the shares, and it would then have been impossible to say even in a technical sense—and that is the only sense in which it is true—that our investors made any application to Parliament before 1891; but instead of doing so, we showed our confidence in the Canadian Government by carrying out the work as a Canadian Company operating under Canadian law.

On behalf of the investors I therefore beg to protest against the refusal of our request for reinstatement being supported on mere technical grounds. Until we found the capital, the Company existed only in a paper and Parliamentary sense, and what was done before March, 1889, was not done either by or for those who subscribed the capital of the Company.

It is an undeniable fact that extensions of time to complete Public Works are applied for and granted as a matter of course. In answer to enquiries in Ottawa, I was unable to find that the Canadian Government had ever refused to any body of investors who had spent their money, renewals of time to complete works which they had undertaken to carry out. In the Debate on the 26th of March, 1896, in the House, the Hon. Mr. Ives, formerly Minister of Trade and Commerce, and therefore well qualified to speak on the subject, said :—

“I have never known during my 20 years of Parliamentary life of an instance where a Company has been refused the renewal of a Charter. I have known hundreds of cases in which not a dollar has been spent, but where renewals have been given not only once, but three or four times.”

From this I presume that our treatment is without precedent in Canadian Parliamentary annals.

Besides referring to the applications of the Company for extensions of time, respecting which I enter the above protest, the fifth clause of the Report refers to the Order in Council of 1892, and to what took place subsequently, and it is there stated that no progress had been made :—

“nor was any intimation given to the Government that the Company was able to comply with the said conditions until a period of two years or thereabouts had elapsed from the passing of the said Order.”

From the above it might be inferred that we had not been moving in the matter from the time of the issue of the Order in Council for about two years afterwards. This was not the case. The Order in Council referred to in Clause 5 was granted in July, 1892. During that and the following years the financial collapse was so complete that it was impossible to obtain the means to carry out any enterprise of this character. On the 20th March, 1893, a deputation waited on Sir Charles Tupper, then the High Commissioner for Canada, with the object of seeking assistance from the Canadian Government, which, however, we failed to obtain. During the same year I went to Canada about the business of the Company, and towards the end of the year, when the panic had to some extent subsided, and financial confidence was returning, we succeeded in making a Contract with Messrs. Pearson and Sons, of London, the Contractors, to complete

the Railway, and in the spring of 1894, as soon as the snow was off the ground, they sent engineers to survey and report on the condition of the works. In considering what the Company did during these two years, it must not be forgotten that, in Canada, during nearly half of the year no work at all can be done.

Immediately on the return of Messrs. Pearson's representatives, financial arrangements were made to complete the Railway, and these arrangements proved to be entirely satisfactory to the High Commissioner in London, as required by the Order in Council; and I telegraphed to the Rt. Hon. Sir John Thompson, then Premier, that we had secured the capital, and received a telegram in reply that it was then too late to pass the necessary legislation. Nevertheless, I went to Canada and saw the Premier and also the Hon. Mr. Foster, Finance Minister, with a view to the reinstatement of the Company in the next Session of Parliament. Therefore, during the time referred to in Clause 5, we were doing everything possible to enable the work to be recommenced and completed.

The years 1892 and 1893 covered a period of financial collapse, not only in London, but throughout the whole world, during which it was extremely difficult to raise capital for any purpose whatever. These financial difficulties existed in reference to many large public works, besides the Chignecto Ship Railway, which were being carried on by Contractors for Foreign Governments, notably for the Argentine Republic; but in no instance did any Government take advantage of these circumstances. Several Contractors and Companies—from causes which I need not enter upon—found themselves during these years unable to fulfil their obligations, but the Argentine Government has since settled with them at a cost of several millions sterling, and has waived defaults which legally it might have taken advantage of. Many of our investors were also interested in the enterprises referred to above, and we hope they will be ultimately justified in believing that the treatment they have experienced from South American Republics will be at least equalled by that which the Canadian Government will accord to them.

The following are the remaining Clauses and the conclusion of the Report :—

“Sixth. It further appears that a proposition to renew the charter of the Company, although supported by the late Government, was defeated in Parliament in 1896 on the express ground that a renewal of the charter might involve a renewal of the subsidy.

“Seventh. That the late Government did, on the 22nd of May, 1896, after the dissolution of Parliament, pass an Order in Council agreeing to recommend the revival of the said subsidy, but that such Order, being passed in direct defiance of the decision so recently arrived at by Parliament, can in no way be regarded as binding upon their successors, much less on the Parliament of Canada by whom such questions must ultimately be decided.

“The Sub-Committee observe that it would appear therefore, that so far from having been rigorously dealt with, the Company have received repeated extensions and have failed to comply with the stipulations agreed to by themselves in sufficient time to permit of legislation in their favour.

“It would also appear that the late Government were unable to obtain a renewal of the Company's charter from Parliament, and throughout the several discussions strong protests were invariably made against further extensions, and that the Company were warned that such applications would not be favourably regarded.

“The Sub-Committee, in view of the above recited facts and bearing in mind the almost universal testimony of experts and practical men of all shades of opinion that it is no longer possible to believe that this enterprise can become a commercial success under any circumstances, are of opinion that the scheme cannot be regarded as one of such public utility as would warrant an application to be made to Parliament for a renewal of the lapsed subsidy.”

The sixth clause and the first paragraph of the seventh clause of the Report deal with the Bill to renew the Charter of the Company which was before the House in 1896, and with the Order in Council of the 22nd May of the same year agreeing to recommend Parliament to reinstate the Company and revive its Subsidy. Reference is made to the defeat of the Bill in the House on the 9th March, and to the Order in Council having been subsequently passed in “direct defiance of the decision arrived at by Parliament.”

I respectfully submit that the facts do not justify the description given to them in Clauses 6 and 7. In the Division on the Bill, there were 54 for, and 55 against it—a majority of 1 only. That this was a snap division is, I submit, established by the fact—not mentioned in the Report of the Committee—that a few days later, namely on March 26th, the Hon. Mr. McInerney moved that the Bill be replaced on the Orders of the House for a second reading, and this was carried by 80 to 63—a majority of 17. The Bill was therefore again before the House, and the Order in Council of 22nd May had no connection with, nor was it in defiance of, the decision defeating the Bill, because by the reinstatement of the Bill that decision was practically cancelled. The Order in Council was in fact an agreement to recommend that the Bill should be passed by Parliament, and the Subsidy revived in as full a Government sense as if the first Division on the Bill had never taken place.

I respectfully submit that what may be reasonably described as an accidental division taken without much previous deliberation as this was on the 9th March, and which gave only a majority of 1, cannot be considered as a deliberate decision arrived at by Parliament. And the reinstatement of the Bill on the Orders of the House shortly afterwards by a majority of 17 is definite proof that the House itself did not consider it to be such.

Therefore, I contend that the Order in Council of May, 1896, should be regarded as binding upon the present Government, seeing that the foregoing facts relating to the Order, and to the two Divisions in the House on the Bill, remove all reasons for holding the Government free from responsibility, as the Committee, in the first paragraph of the seventh clause, suggest that they should be.

The second paragraph of the seventh clause states that so far from the Company having been rigorously dealt with, it has received repeated extensions of time, and has failed to comply with the stipulations agreed to in sufficient time to permit of legislation in its favour.

The last part of the paragraph above quoted refers to the Company not having been able to obtain the capital early enough in 1894 to permit of legislation in that session. This admits that if we had succeeded in arranging for the capital soon enough, the Company would have been reinstated in that year. But the Committee surely will not contend that, because we were then too late owing to circumstances entirely beyond our control, we are therefore to be debarred from all further favourable consideration. This would be to argue—not that we were equitably disentitled to relief on the merits—but because certain financial arrangements could not be settled by a particular date that the Company ought alone to be the sufferer from the unavoidable delay. Neither the Government, nor any interest or person in Canada, experienced loss or even prejudice from our being unable for nearly two years after the granting of the Order in Council of 1892, to obtain the capital to complete the work. Since June, 1894, a period of nearly four years, including two sessions with a Conservative Administration in power and two sessions with a Liberal Administration, we have been waiting for a reply to our request for time to complete the work. In common fairness our petition for relief should not be prejudiced on account of delays before June, 1894, which we were powerless to prevent, nor for delays since that date for which the Governments of both parties are entirely responsible, while we alone are the sufferers from their inaction.

In the third paragraph of the seventh clause it is stated that strong protests were made during the several discussions and that the Company was “warned” that such applications—referring to reinstatement—would not be favourably regarded.

I have difficulty in understanding what is meant by the warnings referred to unless they are to be taken as the language used by some honourable members personal to the Company, *i.e.*, the investors. In that Debate the Company was called a swindle and a fraud, and the investors swindlers and fraudulent, and the Company's credit was to be destroyed if possible. But for this language no cause

was shown except that we sought reinstatement, and to be allowed to expend our own money in completing the Railway. Trusting in the Government and Parliament of Canada, we had already expended nearly £750,000 in good faith on the work which had been promoted by themselves, and with which no person on this side of the Atlantic was in any way connected until, relying upon Canadian Acts, the capital was furnished. I could quote the words of many Senators and Members who have stated that our claim is one which the Canadian Government cannot honourably disregard.

The Hon. Mr. Foster, Finance Minister in the last Government, told the Deputation that waited on him in London on the 31st October, 1894:—

“that the Government will take this matter up, as was promised Mr. Provand, and we will give it our best consideration on the grounds of what might be called moral obligations,” etc.

Several Members of the late Government have confirmed this statement, and no Member will express dissent from these views. Indeed in the debate on the 9th March, when the Bill was defeated by a majority of 1, even the Hon. Mr. Welsh, an opponent of the scheme (and who, I was informed, called the division), referred to the interviews he had had with myself, in which he admitted the moral obligation of the Government to the Company, and used these words:—

“Then I advised him to apply to the Government on the ground of moral obligation.”

And on a former occasion he told the House that:—

“If there were any honourable way of getting out of the scheme I should like to see it adopted.”

The last paragraph of Clause 7 refers to the testimony of experts and practical men to the effect that it is no longer possible to believe that the enterprise can become a commercial success.

I have to say with regard to this that no such expert evidence has ever been submitted to the Company. One statement was repeatedly made in reference to the difficulties of navigating the Bay of Fundy, but this was completely disproved by Capt. Douglas's report made a year or two ago for the Government, showing that it was an easily navigated water. And I have in my possession a large number of letters from Shipowners, Shipmasters, and Shippers of produce; also from firms engaged in the Coal, Lumber, Building Stone and Gypsum Trades, which are favourable to the Railway.

But I respectfully protest against any question of possible future commercial success being advanced as a reason why the Company should not now be

reinstated. If it fail to be a mechanical success we shall never receive any money whatever from the Canadian Government, as this is a risk which we accepted with the Subsidy; and if it be not a commercial success, the Company will have to abide by the result.

I have to add that it is the first time in our experience that any Government has refused to a body of investors time to complete a public work after they had expended, on the faith of statutory engagements, more than two-thirds of its total cost. In our case the grievance is aggravated by the fact that the difficulties of the Company are due to the before-mentioned sub-section placed in the General Railway Act of 1888, which Parliament was subsequently obliged to repeal, but not until the mischief had, in our case, been done.

Therefore, in conclusion, on behalf of the investors in the Company, I respectfully beg to ask that the Report of the Sub-Committee of the Honorable the Privy Council be referred back to the Sub-Committee for further consideration on the grounds herein stated.

I am, Sir,

Your most Obedient Servant,

(Signed) A. D. PROVAND.

LONDON, 31st May, 1898.

To the Right Honorable

SIR WILFRID LAURIER, K.C.B.,

*Prime Minister and President of the
Privy Council, Ottawa, Canada.*

CHIGNECTO MARINE TRANSPORT RAILWAY COMPANY, LIMITED.

SIR,

The numerous facts with which I had to deal in my letter of the 26th March last, and the anxiety to shorten it as much as possible, led to my stating the case for the Company on one or two points less fully and clearly than should have been done. I beg, therefore, to offer some further explanations.

In the second paragraph of the 7th Clause of the Report of the Sub-Committee they say that—

“So far from having been rigorously dealt with the Company has received repeated extensions, etc., etc.”

It is, therefore, necessary to show exactly what extensions of time were given by the Canadian Parliament, and under what circumstances.

The original Acts incorporating the Company and granting a Subsidy were passed in 1882. The Incorporation Act was amended in 1883; the Subsidy Act in 1886; the Contract to construct the Railway forms the schedule to this Act. It was made between the Canadian Government and the original Canadian Incorporators, and the 1st July, 1889 was the date stated for completion. Sir Benjamin Baker was engaged by the Canadian Incorporators as Chief Engineer, and he went to Canada in 1886 to make personal studies for the preparation of the necessary surveys and plans. During the following year, 1887, these were prepared. Much work had to be done in connection with the hydraulic plant, for all of which complete detailed plans were required, and many changes and modifications had to be made until every detail was satisfactory. A great deal had also to be done on the ground itself, making borings and obtaining necessary engineering data, which are indispensable in every undertaking of the kind, but in a novel work of this character these were greater than usual. On this account Sir Benjamin Baker had to go to Canada a second time, and it was therefore early in 1888 before the plans were finally completed, and they were approved by the Governor General in Council on the 23rd May, 1888. In the Contract of 1886 the date for completion named was 1st July, 1889, but it was obvious that the Railway could not be constructed within 13 months after the plans were approved, considering that during only 7 or 8 of these would it be possible to do any work at all. Besides this, the Contract was with the Incorporators *who, the Canadian Parliament knew, had neither the means nor intention to carry it out, and it was well known that the investors who were to supply the capital to do so had still to be found in London and brought into the enterprise.* The Canadian Parliament therefore passed an Act, approved on the 22nd May, 1888, making the date of completion the 1st July, 1892. Technically, it may be said that this was an extension of time, but it was not so in the true sense, which implies giving more time to complete a work already in progress. The Railway was not in progress, it had not been commenced. The plans had just been approved, and it would have been idle to do so unless the Incorporators also received sufficient time to enable them to negotiate in London for the capital. The simultaneous approval of the plans and the Parliamentary grant of time to complete the work, showed beyond question the desire of the Government to have the Railway constructed, and all this was done before we were connected with the undertaking, in order to induce us to supply the needed capital.

On one point it is most important that there should be no misappre-

hension. From the date of the first Act of Incorporation of 1882, down to the last Act of 1888, the "Company" was to the knowledge of the Canadian Government and Parliament only a scheme of the 21 Incorporators named in the original Act. It was a *pro-forma* Company. There were five Acts passed for them between 1882 and 1888, and it is in the last of these Acts that the time to complete the Contract was extended to the 1st July, 1892. It is, therefore, a mistake to say that our Bond and Share holders who now form the "Company" and who seek relief, ever asked for or received extensions of time or anything else from the Canadian Parliament previous to 1889. The Company (as we know it) had no existence before that year, and the object and intention of all that was previously done in Canada, while nominally for the 21 Incorporators already mentioned, *was really to call Bond and Share holders into existence in London and obtain their money. This was stated in the Canadian Parliament again and again by Ministers of both parties.*

Early in 1891 it was foreseen that the extraordinary physical difficulties met with in carrying out the work already referred to would prevent it from being completed by the 1st July, 1892, and we made an application to Parliament and were granted one year's extension of time, namely to the 1st July, 1893, *and this extension of one year is the only extension we ever received.*

I therefore beg to submit that it is a misstatement of fact to say that "the Company has received repeated extensions," etc. Altering the date of completion to 1st July, 1892, simultaneously with approving the plans can only be in a technical sense called an extension of time, and in any case it was not given to our Company, as it had then no existence. The Government and Parliament did everything with the avowed object of enabling the Canadian Incorporators to get the capital in London, and it would have been idle for them to come here without having sufficient time given them to complete the Railway. We—the Bond and Share holders who now form the Company—had nothing to do with it until a year afterwards, it was our money that made it a company, it is we who seek relief, and the sole extension granted to us was, as before stated, for one year in 1891.

Some further explanation is also necessary in regard to the Ministerial promises of time.

In 1892 the Government granted the Order in Council of 9th July in which they promised that if we obtained the Capital required to complete the Railway before the 1st July, 1894, they would recommend Parliament to extend the time beyond the 1st July, 1893. This was done by the Government with the best and kindest intentions towards us, and we are duly grateful; but the Order proved to be without practical value, because the legal date for completion remained the

1st July, 1893—the Ministers' promise that they might ask Parliament to extend the time, did not meantime add one hour to it—and it was impossible for us to obtain capital from investors in 1892 to complete a work which could not be finished in the time allowed us. This position was explained to Sir Charles Tupper, Bart., then High Commissioner for Canada, on 20th March, 1893, when he promised that time would be given to us. A few days afterwards, namely the 28th March, I waited on Sir John Thompson, then Premier of Canada, who was in Paris at that time, and begged that the Government would grant us two years' extension in order that we might raise our capital. He agreed that it was necessary, but said it could not be done until he returned to Canada. When he did return in the autumn I went to Ottawa to obtain it, but I was informed that certain Members of the Government were absent whose presence was necessary, and it was not granted. In June, 1894—within the period covered by the Order in Council—we did succeed in arranging for the required capital, but were nevertheless denied the necessary time to complete the work. Since then I have been four times in Ottawa endeavouring to get the required extension, but without as yet being able to obtain it.

I therefore beg further to protest against Ministerial promises being considered as furnishing any reason for the Sub-Committee's remark in the second paragraph of Clause seven, that the Company had not been rigorously dealt with. The promises made to us and their subsequent failure to fulfil them do not form the least painful feature of these protracted negotiations to obtain fair treatment for our investors. Four years ago we were ready with the capital to recommence construction and finish the Railway, and during the whole time since then we have done everything in our power to obtain the necessary legislative authority, but have received in return only postponements and a succession of promises none of which have been fulfilled.

We are still awaiting the result of the reconsideration of our memorial asking for reinstatement, or failing that for compensation, and I respectfully hope the further explanations in this letter regarding statements in the Sub-Committee's Report will not be overlooked. But if everything is refused to us, it will in effect be to decree the confiscation of about £750,000 of our money expended in developing Canada on the faith of the Acts of Parliament already referred to, while at the same time we have abundant evidence that the Government, Parliament and people desired the Railway, believing it to be a meritorious public undertaking.

I am, Sir,

Your most obedient servant,

(Signed) A. D. PROVAND.

Since the letter of 26th March arrived at Ottawa I have received the following acknowledgment from Sir Wilfrid Laurier:—

Ottawa, 18th April, 1898.

DEAR MR. PROVAND,

I received from Lord Strathcona your letter of the 26th of March in which you set forth your objections to the Report of the Sub-Committee of the Privy Council to which had been referred your application in behalf of the "Chignecto Marine Transport Railway Company." You ask that the Report of the Sub-Committee be referred back to it for further consideration on the grounds stated in your letter. I will have much pleasure in complying with your request.

I have the honor to be, dear Mr. Provand,

Yours very sincerely,

(Signed) WILFRID LAURIER.

A. D. Provand, Esq., M.P.

As I was afraid that the referring back of the report to the Sub-Committee might be made a reason for further delays, I addressed the following letter to Ottawa:—

2, WHITEHALL COURT,

WESTMINSTER, LONDON,

2nd May, 1898.

To the Right Honorable

SIR WILFRID LAURIER, K.C.B.,

*Prime Minister and President of the Privy Council,
Ottawa, Canada.*

CHIGNECTO SHIP RAILWAY.

DEAR SIR WILFRID LAURIER,

I have to thank you for your letter of the 18th inst. received a few days ago, in which you inform me that you will ask the Sub Committee of the Privy Council, to whom the question has been referred, to reconsider the Report which they made on the subject in January last.

May I again address you in regard to our great anxiety for an immediate answer respecting the reinstatement of the Company, or failing that as to what the Government will do in reference to agreeing on an amount to be paid to us as compensation, or to leaving the settlement of that amount to arbitration?

On this point let me draw your attention to the fact that it was on the 2nd September, 1896, that I had the honor of placing the case for the Company before

a Committee of the Privy Council which was appointed to receive it and report to the Cabinet. I had reason to expect I should then receive an answer and for this object waited in Ottawa for fully two months, but had to leave without obtaining any reply. Twenty months have elapsed since then and meantime our Works at Chignecto are deteriorating and we are subjected to a continuous heavy expense for maintenance, taxation, and in other ways. While the Railway is in an unfinished state each succeeding season will add largely to the ultimate outlay necessary to complete it.

In a few weeks your Parliament will rise, Ministers will separate and further postponements may arise therefrom. I therefore beg you to be kind enough to let us have an answer to our appeal with as little delay as possible.

* * * * *

But whatever conclusion the Cabinet arrives at will, I hope, be transmitted to us immediately. I beg to repeat what I think I have said in substance before, namely, that if it is intended to repudiate all moral as distinct from legal obligations to the Company, then it is surely not necessary to postpone even for a single hour giving such an answer. Time would only be required, if you intended to recognise our claim to equitable treatment, in which case there would no doubt be details to arrange.

May I further venture to remind you of another feature in the case to which I think I alluded when I saw you in London? When the Company was brought out in March, 1889, the security of the Canadian Government was so highly thought of that a considerable part of the Shares, and afterwards of the Debentures, were taken in Banking circles and by Finance houses to hold as investments. They also recommended their clients to invest. These houses still hold the securities they originally subscribed for. I have had communications from some of them indicating their position. They consider that having recommended these securities to their friends they are bound to use every effort to protect their interests and to guard against any similar occurrences in the future. This movement will be entirely apart from my negotiations on behalf of the general body of investors.

I have sent a copy of this letter to Sir Charles Tupper and also to the Honorable Mr. Foster.

I have the honor to be,

Dear Sir Wilfrid Laurier,

Yours very sincerely,

(Signed) A. D. PROVAND.

WHAT IS SAID IN CANADA ABOUT THE RAILWAY.

I have already referred to my eight visits to Ottawa. I found that while the Ministers knew the history of the enterprise that many Members of Parliament were unacquainted with the facts. This was also true of the Press.

Shortly before my first visit there had been some political and financial scandals in connection with carrying out public works for which the Government had paid large sums, and the Chignecto Railway was usually spoken of by members of the party then in opposition as if it was business of a similar kind. At the General Election of 1896, the Chignecto Railway was frequently referred to in a manner implying that the Government had found money for the scheme. So often was this brought to my notice that I had to issue a circular letter to Members and Senators on the subject (see page 53). So far from their having found any money for the Company, the truth is that the Canadian Government has received from the Company nearly \$100,000 in duties on the machinery imported for the Railway.

Party politics are discussed in Canada with a virulence far beyond anything we know of in this country. No statement is considered too strong to apply to opponents or to anything with which they are or have been connected, and the Chignecto Railway Charter was made a party question.

I sent copies of the statement of the Company's case, which I presented to the Government, to all the Members and Senators, and in every instance where I afterwards had the opportunity of talking about the Railway they admitted they had been unaware of the facts until they read the Statement. Editors also told me that they first learnt them from the Statement, and in more than one instance I had to call their attention to gross misstatements of fact they had made about the Company. Nothing that could possibly be said against us was omitted by those who desired to make party capital out of the Company's position.

In the two debates in the House which took place in 1896, the language used towards us will come as a surprise not only to you, the Share and Debenture holders, but also to our investing classes generally. When Sir Wilfrid Laurier was here last summer these were referred to, and I found it necessary to write to Sir Donald Smith (now Lord Strathcona) on the subject. I leave out parts of the letters which it is unnecessary to reproduce.

2, WHITEHALL COURT,
WESTMINSTER, LONDON,
July 19th, 1897.

To the Hon.

SIR DONALD A. SMITH, G.C.M.G.

*High Commissioner for Canada,
17, Victoria Street, S.W.*

CHIGNECTO.

DEAR SIR DONALD SMITH,

At our interviews of last Tuesday and Wednesday I spoke of Canadian politicians having made our business a partisan question.

* * * * *

We only know it as an enterprise we are endeavouring to carry out for the Canadian Government, and the investors—a body innocent of any knowledge of Canadian politics or parties—are sufferers from statements such as were contained in the telegram in question.

The language used about our Company in Parliament, in the press, and on platforms cannot be justified. The quotations appended show that we were in effect called swindlers, our enterprise a swindle and a fraud. We are accused of having sold our issues at a “most terrible discount.” (I was a buyer myself and paid par.) Our credit was to be destroyed, and lastly it was said that “It is of no consequence to the people of Canada whether the English bondholders or stockholders have lost their money or not.” These are a few of the things said of us in Parliament, our only offence being that we had spent £750,000 of our money on the faith of their Acts passed for the express purpose of inducing us to do so on a work certified by them to be for the benefit of the people of Canada.

Sir Wilfrid Laurier readily admitted that there is no precedent for the treatment we have received, and this is also true regarding the language used towards us. British investors have dealt with every Colony, self-governing and Crown, but no such language was ever employed towards investors or such baseless accusations made against them.

Many candidates at the last General Election spoke as if the Government had given money to the Company. This was so often repeated that I sent a circular to Members stating the facts, copy of which I enclose. My information

is that even worse language—if that were possible—was used towards us by candidates than in the House at Ottawa.

The story is almost too painful for publicity. If, however, no settlement is arrived at soon after the Premier returns to Ottawa I must, of course, put the facts before the investors, who up to the present moment know nothing whatever of what has been said of them. The Deputation which accompanied me on Tuesday last were not aware until then of the language used in Canada in regard to themselves and the enterprise. I have always prevented these matters from becoming more generally known than was unavoidable, as it must be damaging to the interests of Canada to create in the minds of several thousand investors a bitter sense of injustice at the treatment they have experienced, aggravated, as it will be, by a knowledge of the language applied to them.

* * * * *

I am, Dear Sir Donald Smith,

Yours very faithfully,

(Signed) A. D. PROVAND.

QUOTATIONS FROM HANSARD, 1896.

MR. LISTER.—Page 3097.—“Sir, by granting this money you are giving the promoters of this scheme a further opportunity to swindle the British public, because the scheme upon its face is a swindle.”

Page 4632.—“It is a bogus concern.”

Page 4631.—“I have no hesitation in saying that it is one of the most astounding frauds of the present century.”

MR. MARTIN.—Page 4648.—“A fraud it has been called, it is the worst kind of a fraud.”

MR. LISTER.—Page 3093.—Speaking of those who brought out the Company, he said :—
“I venture to say by men who have now little if anything invested in this scheme. They floated the Bonds of the Company no doubt at a very heavy discount.”

Page 4634.—And referring to our investors having taken the Issues, said :—
“If they have, they have taken them at a most terrible discount. They have paid but a small price for them.”

MR. MARTIN.—Page 4648.—“I would like to say for one, that if my vote is going to have the effect of destroying the credit of institutions like the Chignecto Marine Transport Railway Company in London, I would be very glad to destroy their credit.”

MR. LISTER.—Page 4634.—“It is of no consequence to the people of Canada whether the English Bondholders or Stockholders have lost their money or not.”

I had again occasion to write to Sir Donald Smith, and the letter further deals with the language applied to us.

2, WHITEHALL COURT,
WESTMINSTER, LONDON.

August 16th, 1897.

To the Hon.

SIR DONALD A. SMITH, G.C.M.G.,
High Commissioner for Canada,
17, Victoria Street, S.W.

CHIGNECTO.

DEAR SIR DONALD SMITH,

* * * * *

The suspense is becoming difficult to endure, and I cannot ask too strongly to have this business brought to a close as soon as the Premier returns to Canada. If we are not to be reinstated and if some complicated method of compensation has to be discussed, this will necessarily cause some delay, but if the Government intend to repudiate everything because we are technically in default—our position being directly the result of their passing the sub-section to the Railway Bill of 1888—there can be no valid reason for further delay. If they do not intend to acknowledge their moral and equitable liability arising out of their own Acts, and if their policy is to be that recommended by the Hon. Mr. Lister and the Hon. Mr. Martin, may I earnestly urge that they will lose no time in communicating to us their decision.

I have not hitherto in any communication which I have written on this subject alluded to either political party. Our business is with the Dominion Government without reference to which party is in power, but I feel compelled to bring to your notice the partisan character of the treatment we have experienced. So far as I am aware no Conservative has ever said a word against us implying anything dishonorable in our motive or our proceedings. On the other hand, however, we have been called swindlers in the past and have been accused of intending to swindle in the future, the Company has been denounced as fraudulent, and we have been accused of issuing false prospectuses, and all this has been done by the supporters of the present Administration in Parliament and in the Press.

A correspondent in Canada wrote to me at Ottawa last year as follows :—

“I had urged upon the late Mr. Ketchum the expediency of making some little effort to educate the public mind of Canada as to the claims and rights of the Ship Railway Company and its commercial advantages, and I wished to repeat the same to you. For a number of years past I am in a position to state that ninety out of every hundred people one meets consider and believe that you are heading a movement to

swindle all taxpayers. The term 'swindle' has been used so often in Parliament without any defence of it, or any assertion of the justice of its claims on Parliament, or any thorough and systematic declaration of its rights through the press, it is but little wonder the scheme has finally been accepted generally as a cheating venture."

I know that the above is a perfectly true statement of what was said of myself, and those men who endeavour to make the public believe that the Chignecto claim was merely a "cheating venture" and that I was "heading a movement to swindle all tax-payers," are the supporters of the present Government. You have spoken to me about the views held by the people of Canada and the consequent difficulties the Government would have in reinstating the Company, but, may I ask, what can their views be when they have been told little else than falsehoods about the enterprise, and frequently by prominent politicians who must have known better? The Government have no real difficulties to contend with except those which have been created by the language of their own supporters. I had much difficulty in inducing Members to read the Statement of our claim, but everyone who did so acknowledged that he had previously been unacquainted with our true position in regard to the undertaking. In speaking to Members on the subject I found I had to deal not only with those who did not know the facts, but what was more painful still, with those who did not want to know them. The *Ottawa Free Press*—a strong supporter of the present Government—followed a series of attacks on us by an accusation of having issued false Prospectuses, but when it was made aware of the facts and shown the Prospectuses which contained the Clause in the Act of 1886, setting out the conditions on which the Subsidy was granted, said that "The British investors have been grossly deceived, or that there is not much doubt." We are not yet complaining of being deceived. Canada asked for and obtained our money on the faith of the Acts of their Parliament. But if they will not now carry out their bargain, which is all we ask, then we shall have been grossly deceived.

I believe that the Conservatives as a party consider the Government bound to keep faith with us and to carry out their bargain. In June, 1894, we were ready to recommence construction, and from then until the beginning of last year, deaths, changes of Ministry and other circumstances—with all of which you are familiar—were pleaded as reasons for postponing our application for reinstatement. I never considered that these were adequate reasons, but in our position we were compelled to submit and accept those reasons as made in good faith. From the last Government we had at least the language of sympathy and regret for what they considered were inevitable delays, and they ultimately recognised our claim by the Order in Council of the 22nd May, 1896, which we believed would be observed by any Government.

It has been openly stated to me repeatedly that the treatment we have experienced is on account of the Subsidy having been granted by a Conservative Administration. I have asked those who gave me this information, "Are we then to be called swindlers because the use of such language regarding us might indirectly be a reflection on political opponents irrespectively of its gross injustice to ourselves and our enterprise?" While some—I hope not many—public men in Canada seem to regard such conduct with approval, I cannot for a moment believe that the leading men of Canada will not unhesitatingly condemn all such unworthy methods of political warfare.

The longer this matter stands over the more difficult it will be to settle it, and the more certainly will there be an outbreak of just indignation on the part of our investors at the treatment they have received. For years I have tried to bring the negotiations to a close, and if no arrangement is arrived at early in October I must place before our investors, and also those in the Investing Companies holding our issues, a full account of what has taken place, of the reasons why I have failed, of the treatment we have received, and of the language which has been applied to us. It will then be impossible any longer to conceal the fact that the Members of one political Party in Canada are the authors of the deliberate falsehoods uttered and of the abuse to which we have been subjected.

I have been to Canada again and again to represent the hardship of our case, which has been admitted by Members of both the last and the present Government. Nevertheless a settlement is postponed, while our property is deteriorating year after year. We are distant and voteless claimants, and are treated as such. If a Canadian body of investors had found the money, no one who knows Canada will venture to say they would have had to wait years for reinstatement. While you have informed me that time could not be found to consider the very simple issue which is presented in our case, nevertheless ample time has been found to consider new and complicated proposals for which fresh demands will be made upon our investors, such as the East Atlantic Service, for which £2,000,000 are now being asked in London.

I know that we had, and still have, many friends amongst the public men of Canada. On page 6 of the print of the address I delivered before the meeting of the Committee of the Cabinet last September, you will find remarks quoted by the Hon. Mr. Power, which were those of an honest opponent. In 1892, when we applied to Parliament for power to issue Preference Debentures, hoping by that means to raise money to complete the work which we had been precluded from obtaining by the sub-section to the Railway Act of 1888, the Hon. Mr. Kaulbach said:—

"If we attempt now by any means to prevent this undertaking from going on after an expenditure of \$3,500,000, we will show that we are endeavouring to repudiate our obligations. The object of this amendment is to frustrate the Bill altogether and to stultify ourselves and make the people of England feel that they have no confidence in the future legislation of the country. We have, by the subsidy we have offered, induced capitalists to go into this enterprise, and invest their money, and if we now repudiate our agreement we will be acting in bad faith with those people. . . . If we throw out the Bill, and by so doing ruin this undertaking, it will be for ever a monument to the perfidy of Parliament in trying to get rid of an honorable obligation which we assumed, and by which we entrapped the capitalists of England into investing their money in an enterprise for which they believed they had the guarantee of Canada."

This is the truth both as regards how we were induced to invest our money in the enterprise and the motives for opposing our claims. Further comment is unnecessary; the views thus expressed by the Hon. Mr. Kaulbach are held by many politicians and business men in Canada.

* * * * *

May I add one word more? All that has been said of us in Canada does not in the least affect our belief in our own case. We know that we are right, and that Canada is morally bound by every honorable sentiment that can animate a Government to recognise our claim, and either reinstate us or pay adequate compensation, and until a settlement is arrived at I am certain this question will not be closed.

I am, dear Sir Donald Smith,

Yours faithfully,

(Signed) A. D. PROVAND.

The foregoing shows what has been said about us by certain members of the political Party at present in power. But the last Government by the Order in Council approved 22nd May, 1896, fully admitted our right to reinstatement and recommended Parliament to carry it into effect, and if they had had a majority at the last General Election, and been reinstated in power, they would undoubtedly have given their recommendation legislative effect. While you should know what has been said against you in Canada by a certain section of politicians on the platform, in the press, and in Parliament, these utterances must not be taken as representing Canada and its people, nor even as representing all those who are in political alliance with the men who have made use of the language to which I refer. I have quoted in the Appendix (see pages 53 to 55) expressions of opinion by politicians favorable to the Company. I may here add that while in Canada I had many conversations with Bankers, Merchants,

and business men, and in every instance they expressed the opinion that the Government was honorably bound either to reinstate or compensate the Company.

A natural question for you to ask is, Why should we suffer because of political differences in Canada, considering that we have nothing whatever to do with it, our business being with the Canadian Government without reference to which party is in power ?

Many paragraphs could be quoted from the press in Canada, sympathising with the position of the Company. I quote two, the first of which is taken from the *Toronto Globe*, which possesses a commanding influence in Canada, and is the chief supporter in the press of the present Liberal Government. In an article dealing with the Chignecto Railway, in 1891, it said :—

“The question more immediately concerning the Canadian people is to what extent the Dominion Government is liable. It is true that the promise of a twenty years’ subsidy was conditional on the completion of the work, but it is equally obvious that the action of Parliament was the bait which caught the British investor, who would not have bitten at a naked hook. The original subsidy promised in 1882 was for \$150,000 a year for twenty-five years, but in 1886 this was changed to a subsidy of \$170,000 a year for twenty years. If we repudiate all responsibility, *as technically we should be warranted in doing*, the credit of the Dominion would suffer, for there can be no doubt that we have incurred a considerable degree of moral responsibility in connection with the undertaking. Just now we cannot afford to run fresh risks in the British money markets. The census figures, the Ottawa and Quebec scandals, the history of the bankrupt railroads in the Maritime Provinces, which after having been built out of Dominion or Provincial bonuses, have been unloaded upon Englishmen, and other matters have not done us any good over there ; and Parliament should be cautious in dealing with the Chignecto enterprise lest it should create a perfect stampede.”

The foregoing shows that the denial of our claim would in the opinion of the *Toronto Globe*, the leading Liberal newspaper in Canada, be *repudiation on technical grounds*.

The other quotation is recent, and is from the *Ottawa Daily Free Press*, which is also a strong supporter of the present Liberal administration.

The article after commenting upon the issue of the Report of the Sub-Committee of the Council, which declined to recommend Parliament to reinstate the Company, then says :—

“But there is an aspect of the case which is almost painful *as it practically amounts to a national disgrace*. On the strength of the endorsement given it by governmental and Parliamentary procedure, many people in Britain have been induced to sink money in the project which must now be regarded as lost.

CONCLUSION.

The facts set out in the foregoing statement are too numerous to summarise but there are two or three matters which are entitled to notice.

A meeting might have been held sooner, but it has been put off from time to time pending a definite reply from the Canadian Government. It has, however, now become imperative that you should be called together without further delay to be informed of the position of the negotiations. The Sub-Committee of the Privy Council are, according to the letter which I received from Sir Wilfrid Laurier, reconsidering the question of reinstatement. If they finally decide not to recommend that course, there will then arise the question of compensation and how it is to be dealt with. In view of the many postponements which we have already experienced, I am unable to say when a final answer will be received, but I do not think it can be delayed much longer.

The question of granting time to complete the Railway is many times referred to in the previous pages. In all such contracts the time to complete the work is usually stated, but extensions of that time are granted as a matter of course. In this case we were spending our own money, and the delay has not prejudicially affected in the slightest degree either Canada or any Canadian interest. The only persons who have suffered are ourselves. Further, the default on our part is only technical, and arises through our Contractors stopping construction, and this was the direct effect of the Canadian Parliament's change in the law by the General Railway Act of 1888.

In any case a default in point of time should be considered relative to its origin. Work on the Railway was kept back by various natural difficulties, excessive rainfall, the absence of solid rock foundations within the calculated depth, and boggy places on the line which could not be known before the work was in process of being carried out. The delay thus occasioned equalled from one to two seasons. But such obstacles might have taken years to overcome, and it is certain that even a delay of years, arising from unavoidable causes, would furnish no equitable reason for refusing all the time that was necessary to complete the Railway. There is no precedent either in Canada or out of it for the Canadian Government's doing so, having regard to the facts that we were spending our own money and were prejudicing no interest whatever except our own by the delay.

The following letter from Mr. R. D. M. Littler, Q.C., one of the best known leaders of our Parliamentary Bar, shows how applications for time are dealt with by the British Parliament. Mr. Littler was Chairman of an investment Company

which subscribed for some of the Company's Debentures and Preference shares. He was to accompany the deputation which waited on the Hon. Mr. Foster, the Canadian Finance Minister, in London, but at the last moment he found himself unable to be present and sent this letter :

"2 PUMP COURT, TEMPLE,

"30th Oct., 1894.

"My Dear MR. PROVAND,

CHIGNECTO.

"I very much fear, as I told you, that I shall be unable to be with you in your attendance on the Finance Minister to-morrow owing to the shortness of the notice and a very imperative previous engagement. I should have much liked to have been with you, representing as I do £40,000 of solid money invested in reliance on what we believed, and still believe, to be the deservedly good name for absolute good faith of the Government of Canada.

"Of course, on most of the questions I cannot pretend to speak with anything like the authority of those intimately connected with the City, but on one point I am clear, and that is, that now nearly thirty years' experience of the practice of both Houses of the English Parliament assures me that, under such circumstances, not a single Committee of either House could be found to refuse an extension of time to those who had expended their money under very great difficulties, and that, even were it necessary to again and again renew the application. I believe I am absolutely right in saying that no single railway work in London in the last forty years has been made within the time originally limited. Many have had ten or twelve years' extension. It is true that there was not in any of these cases any question of guarantee, but that makes the position stronger ; for here not a soul would have invested his money in Chignecto, save in the belief that Canada gave the guarantee because she wanted the railway and was determined to have it. Their country has suffered no loss save that of the delay of the advantage of the works as completed (while it has received the gain of the outlay of our money), but we, on the contrary, have lost heavily in interest on our outlay and in all the expense of endeavouring to complete. Not unnaturally, British investors deem that these arguments—irresistible at home—should prevail in case of need in Canada. I own I feel the less regret at my inability to attend when I think of the moral position we hold.

"I cannot conceive it possible that an answer can be found to your arguments which would satisfy not only us who *have* invested but any person asked in the future on the faith of Canadian Guarantees. Yours truly,

"(Signed) R. D. M. LITTLER."

The sum at stake is large. About £750,000 have been spent on the Railway, all of which, except the amount paid for hydraulic machinery (which had to be made here), administration, and other necessary expenses, has been expended in Canada in duties, carriage, in labor, and for material. By the terms of the Contract we are bound to repay the Canadian Government the whole of the Subsidy received, after meeting the agreed dividend. But assuming that we collected all the Subsidy for the full term of 20 years—an extremely unlikely contingency—it would amount to less than we shall expend on the Railway in Canada itself.

The Railway has been constructed for a special purpose and is unsuitable for any other. If therefore we are not to be reinstated or compensated, we shall lose the £750,000 we have expended. No such risk as this was contemplated by

us when we subscribed for the Shares and Debentures. Under no circumstances could we have supposed that on account of the default of our Contractor in completing the Railway within the time fixed, we should have been deprived of our whole property. The penalties in a Contract for such a work are rarely exacted, and then only to meet actual loss, but in this case the penalty will involve the loss of the whole amount invested, and this will be incurred for a default, trifling when considered relative to the magnitude of the enterprise itself, and from which no one has suffered loss except ourselves. Such a penalty has never yet been exacted by any Government under such circumstances. If we could have for a moment imagined that the Canadian Government would have treated us as they have done, we would not have invested one shilling in the enterprise; and while this question remains unsettled, it will be nothing less than a national misfortune if they can find in this market investors who will furnish capital for any similar undertaking.

No answer can be accepted as final from the Canadian Government without a settlement of our claims. The question must be kept prominently before our public in order that every country may know that it is impossible for our investing classes to accept such treatment. If the Canadian Government do not reinstate or compensate the Company this policy will firstly affect ourselves, but it will ultimately also affect all our investing classes. If we tamely submit to the repudiation by the Canadian Government of its obligations in this case, it will be accepted as a precedent by all other countries which they may follow when it suits their convenience.

I am, Gentleman,

Your obedient servant,

A. D. PROVAND.

APPENDIX.

Copy of a Report of the Committee of the Honorable Privy Council, approved by His Excellency the Governor General in Council on the 12th April, 1882.

On a report dated 10th April, 1882, from the Minister of Railways and Canals, submitting propositions of Mr. H. G. C. Ketchum, supported by a large mass of evidence going to prove their entire practicability under which, should it be countenanced, a Company will be formed for the construction and operation of a line of ship railway across the Isthmus of Chignecto, to connect Baie Verte with Bay of Fundy, such line being built between a port at the mouth of the river La Planche on the Bay of Fundy, and Tignish Head, on Baie Verte, a distance of about 17 miles. The Minister states that a number of arguments and statistical facts showing the commercial value of the projected work to the country at large, the cogency of which he (the Minister) fully recognizes, are set forth in pamphlets submitted by the originator of the scheme, which pamphlets accompany the present Memo; that in consideration of the work to be executed the Company asks from the Government assistance as follows:—A subsidy of \$150,000 per annum, for a period of 25 years; the entry free of duty of all rails; the entry free of duty of such materials and machinery required for the hydraulic lifts and other purposes as were not made or manufactured in Canada; the carriage free of all such materials over Government Railways. The Minister observes in relation to the above scheme that for many years past very considerable importance has been attached to the possession of means by which the water distance between the St. Lawrence river and the Bay of Fundy, representing the circumnavigation of the entire Province of Nova Scotia, could be reduced; that as early as 1825 a survey for a canal across the Isthmus of Chignecto was effected, and that further, in the year 1871, a commission sat for the consideration of the matter. This commission, after an exhaustive enquiry, reported as follows:—

“Inseparably connected with the growth of inter-colonial trade is the construction of the Baie Verte Canal across the isthmus connecting the Provinces of Nova Scotia and New Brunswick.

“The advantages that must accrue not merely to the Dominion as a whole, but to the commerce of the Maritime Provinces are so clearly pointed out by the Boards of Trade of all the leading cities of Canada, and by men interested in the development of our commercial interests, not simply the merchants of St. John's and other places in the locality of the proposed canal, but merchants of Hamilton, Toronto, Ottawa, Montreal, and Quebec, that it is superfluous for the commissioners to do more than briefly refer to a few salient features of the scheme.”

The Minister further observes that, as an instance of the saving in distance to be effected, the commissioners state the distance by the existing route, via the Gut of Canso from Shediac to St. John—namely 600 miles—would be reduced to 100 miles by the construction of this canal. The Minister having referred the whole question to the Chief Engineer of government railways he reports as follows:—

1. That the project is one quite practicable of execution.
2. That the ship railway as proposed would be a good substitute for the canal originally contemplated.
3. That the advantage in respect of cost as compared with that of a canal, would be greatly in favour of the ship railway, the cost of a half-tide canal being calculated by the government engineers at from \$5,650,000 to \$8,217,849, whereas the subsidy asked for by the company, namely of \$150,000 for 25 years, if capitalized at 4 per cent., would be equal to the sum of \$2,343,312 only.

The Minister submits an estimate made by Mr. Ketchum, under date 4th April instant, of the cost of the projected ship railway, including the necessary docks, piers, and wharfing, such estimate amounting to the sum of \$4,350,000, as to which the Chief Engineer of Government canals reports that, accepting Mr. Ketchum's representations as to quantities and the

character of the line that can be obtained, the cost of the works proposed, if throughout of a suitable and permanent character, would, in his opinion, be at least the sum named. The Minister, in view of the generally acknowledged importance to the commercial interests of the whole country of means of crossing the Isthmus of Chignecto, and further, in view of the feasibility of the plan now proposed and the saving cost which it offers as compared with canal construction, recommends that authority be given for the entering into arrangements with Messrs. Ketchum and Co. on the following terms for the construction of a line of ship railway across the isthmus, with the distinct understanding that all risk and expenditure connected therewith be borne by the company, and that the said line, being substantially built, thoroughly equipped, and capable of satisfactorily performing the services set forth in Mr. Ketchum's offer, a subsidy of \$150,000 a year be granted by the Government, such subsidy to be payable for a term of 25 years and no longer, and that payment commence whenever the ship railway shall be in full operation, and continue only during such time as it may be satisfactorily worked. Furthermore, that the tolls to be charged by the company be subject to the approval of the Governor in Council.

The committee concur in foregoing recommendation of the Minister of Railways and Canals, and submit the same for your Excellency's approval, it being understood that the claim for remission of duties and free transmission on material be not entertained.

The following resolution was passed by the Board of Trade of St. John, N.B., 20th October, 1883, in favour of the Ship Railway, and is an example of the expressions of approval and support made by public bodies :

"Whereas, means of communication between the waters of the Bay of Fundy and the Gulf of St. Lawrence, whereby products of the several Provinces bordering thereon may be interchanged without encountering the dangerous navigation of the Atlantic coast of Nova Scotia, whereby steamers and sailing vessels, adapted as well for inland as for ocean navigation, may be safely conveyed across the Isthmus of Chignecto, without the cost and delay of transshipment or breaking bulk, and whereby the sailing distance between this port and all ports north and west of said Isthmus may be reduced about 600 miles—would materially increase the volume of trade and benefit the shipping interests of this and other ports in the Bay of Fundy and Gulf of St. Lawrence ; and

"Whereas, by means of a Ship Railway across the Isthmus, the objects aforesaid may be accomplished, and thus stimulate the development of the agricultural, mining, lumbering, and fishing resources of the districts contiguous to the aforesaid ports ; and

"Whereas, a company has been formed for the construction and operation of a Ship Railway, with commodious docks and hydraulic lifts, for raising and transporting over its line laden vessels of 1,000 tons register ; therefore

"Resolved, That this Board is of opinion that the undertaking of said Company would greatly facilitate trade and commerce between the eastern and western provinces ; and further

"Resolved, That this Board cordially approves the project for building the said Ship Railway, believing that this is a movement which will commend itself to all classes, and prove to be of great convenience and benefit to our trade and commerce generally."

THE CLAUSE IN THE ACT OF PARLIAMENT RELATING TO THE SUBSIDY IS AS FOLLOWS :—

"8. Her Majesty doth hereby for herself, her heirs and successors, covenant, promise and agree to and with the Company, their successors and assigns, in the manner following, that is to say :—

"(1.) Should the said railway and docks, and works appurtenant to the present undertaking, be completed in every respect in accordance with this contract, and should they be accepted as such by the Governor in Council, then and in such case

only and so long during the term of twenty years from the date of said acceptance by the Governor in Council, as the said ship railway is kept in thorough repair and satisfactorily performs the services aforesaid to the satisfaction of the Government, a subsidy at the rate of \$170,602 per annum shall be payable to the Company at the end of each half year in instalments of \$85,301; it being expressly understood and agreed, however, that such subsidy shall not be payable for any period during the said twenty years during which the conditions above mentioned have not been complied with.

“(2.) The Company shall only call upon the Government of Canada for the payment of such portion of the subsidy, payable as aforementioned (which shall not in any case exceed the amount then due or payable), as may be required to make up the net earnings of the undertaking to seven per cent. per annum on the authorised share and bond capital of the Company (\$5,500,000).

“(3.) In case the earnings of the undertaking should exceed seven per cent. per annum upon the aforementioned capital, the Company agrees to pay over to Her Majesty's Government of Canada, one half of the surplus profit beyond the said seven per cent., until the whole of the subsidy which may then have been paid to the Company shall have been repaid to the Government by the Company.”

Copy of a Report of a Committee of the Honorable the Privy Council, approved by His Excellency the Governor General in Council on the 9th July, 1892.

On a Report dated 7th July, 1892, from the Minister of Railways and Canals, stating that the Chignecto Marine Transport Railway Company has made application to him with a view to obtaining one year's extension of the time now limited for the completion of the works to be constructed by the Company under the Contract entered into with the Department of Railways and Canals on the 4th March, 1886. That the Company, in support of such application, has represented that about 75 per cent. in value of the works undertaken have been constructed at an expenditure by the Company of between \$3,000,000 and \$4,000,000; that it will require over a million dollars further expenditure to complete the works; that the operations on the works were suspended in the latter part of last year, and have not been recommenced; that this suspension was owing to the Company's contractors being unable in the depressed state of the money market to raise money on the Company's securities; that in order to raise the further necessary capital to recommence and complete the works the Company applied for, and has obtained, authority from Parliament at its present Session to issue First Preference Mortgage Bonds to the extent of £350,000 sterling; that the Directors feel satisfied they can upon these Bonds obtain the requisite capital to complete the works provided they can feel reasonably certain that the time for the completion of the work will be extended by Parliament for at least one year from the time now limited, which is 1st July, 1893; that this extension is requisite owing to the time which has already been lost since the stoppage of the works, as well as to that which must necessarily elapse before they can now be recommenced, but that unless the Company can show that they have the assurance of the Government of Canada that a Bill will be introduced and promoted by the Government at the next Session of Parliament extending the time for completion of the works as above mentioned, it will be useless for the Directors to endeavour to raise the money necessary on the new Bond issue.

The Minister under these circumstances, and in view of the large amount of private capital which appears to have been already invested in the works, of the further fact that the works appear to be so nearly completed, that the suspension of the works was owing to unforeseen circumstances, and that it would appear necessary in order to obtain the further capital and to complete the works to have the additional time asked for, recommends:—

That provided that the works necessary to complete the Railway and appurtenances are actually in progress, and the Company establishes to the satisfaction of the Governor in Council that it has secured all the capital necessary fully to finish and equip the railway, docks and other works of the Company in all respects according to the requirements of the Contract

above mentioned on or before the 1st July, 1894, and that an extension of time to the said date for the completion thereof, is necessary, the Government at the next session of Parliament will recommend to Parliament the legislation necessary to extend until the 1st July, 1894, the time within which to complete said Railway and appurtenances according to the said contract.

The Committee submit the above recommendation for Your Excellency's approval.

Extract from a Report of the Committee of the Honorable the Privy Council, approved by His Excellency, the Governor General, on the 22nd May, 1896.

On a Report dated 24th February, 1896, from the Minister of Railways and Canals, submitting for consideration the following approved Minute of Council, dated the 9th July, 1892.

"On a Report dated 7th July, 1892, from the Minister of Railways and Canals, stating that the Chignecto Marine Transport Railway Company has made application to him, with a view to obtaining one year's extension of the time now limited for the completion of the Works to be constructed by the Company under the contract entered into with the Department of Railways and Canals on the 4th of March, 1886. That the Company in support of such application has represented that about seventy-five per cent. in value of the Works undertaken have been constructed at an expenditure by the Company of between \$3,000,000 and \$4,000,000 that it will require over \$1,000,000 further expenditure to complete the Works, that the operations on the Works were suspended in the latter part of last year, and have not been re-commenced, that this suspension was owing to the Company's contractors being unable, in the depressed state of the money market, to raise money on the Company's securities. That in order to raise the further necessary capital to re-commence and complete the Works, the Company applied for, and has obtained authority from Parliament at its present Session, to issue first Preference Mortgage Bonds to the extent of £350,000 sterling. That the Directors feel satisfied they can, upon these Bonds, obtain the requisite capital to complete these Works, provided they can feel reasonably certain that the time for the completion of the Work will be extended by Parliament for at least one year from the time now limited, which is the 1st July, 1893, that this extension is requisite owing to the time which has already been lost since the stoppage of the Works, as well as to that which must necessarily elapse before they can now be re-commenced, but that unless the Company can show that they have the assurance of the Government of Canada that a Bill will be introduced and promoted by the Government at the next Session of Parliament extending the time for the completion of the Works as above mentioned, it will be useless for the Directors to endeavour to raise the money necessary on the new bond-issue.

"The Minister under these circumstances, and in view of the large amount of private capital which appears to have been already invested in the works, of the further fact that the works appear to be so nearly completed, that the suspension of the works was owing to unforeseen circumstances, and that it would appear necessary in order to obtain the further capital and to complete the works, to have the additional time asked for, recommends :

"That provided that the works necessary to complete the Railway and appurtenances are actually in progress, and the Company establishes to the satisfaction of the Governor-in-Council that it has secured all the capital necessary fully to furnish and equip the Railway, docks, and other works of the Company, in all respects according to the requirements of the contract above mentioned, on or before the first of July, 1894, and that an extension of time to the said date for the completion thereof, is necessary, the Government at the next session of Parliament will recommend to Parliament the legislation necessary to extend until the first of July, 1894, the time within which to complete said Railway and appurtenances according to the said contract."

The Minister desires also to refer to the minute passed on the 21st day of October, 1893, with reference to an application of the Chignecto Marine Transport Railway Company, in which the grant of any further aid to the project of that Company was declined, and to call attention to the fact that the requests which were so dealt with by that Order of Council, was one for a re-arrangement of the subsidy to the project, which would have involved a change in the principle upon which the aid is granted, and that the refusal in the Order in Council last mentioned refers to that request.

The Minister observes that under the provisions of the last paragraph of the Order in Council first above cited, the Company, before the first of July, 1894, secured all the capital necessary to fully furnish and equip the Railway, Docks, and other Works of the Company in all respects in accordance with the requirements of the contract above mentioned, and is now ready and desirous to proceed at once to the completion of the said Railway, Docks, and other Works, provided an extension of time within which to complete the same for the purpose of the contract entered into with the Department of Railways and Canals on the 4th of March, 1886, be granted to them; such extension not to exceed three years from the first of October next.

The Minister further states that it appears to him that the delay which has occurred since the passage of the Order in Council above cited, has been owing to circumstances entirely beyond the control of the Company, who are *bonâ fide* desirous of completing their undertaking.

The Minister therefore recommends that at the next Session of Parliament, the Government submit the legislation necessary to extend for the period mentioned above the time within which to complete the said Railway and appurtenances according to the said contract.

The Committee submit the above for Your Excellency's approval.

The following letter was sent to all the Members of the Canadian Parliament :—

Chignecto Ship Railway.

Rideau Club, Ottawa, September 23rd, 1896.

DEAR SIR,—On behalf of the British investors in the above enterprise I have come to Canada and applied to the Dominion Government for a revival of the subsidy to the Railway, in order that it may be completed and opened for traffic. The cost of the work has been \$3,500,000 which has been entirely provided by the investors without receiving a cent of public money, and has been expended for labour, for machinery, and for material; nothing has been laid out for any other purpose whatever. The Railway is now about three-fourths constructed and could likely be finished in two seasons. The investors are in no way responsible for the unavoidable delays which have prevented the works being completed.

Inaccurate statements have so frequently been made in reference thereto that many erroneous opinions have been formed about the Railway. I therefore beg to enclose a pamphlet giving a brief account of the origin and position of the enterprise and respectfully request its perusal.

The present investors have subscribed the capital to complete the works, which will be called up and construction re-commenced as soon as the Dominion Parliament passes the necessary legislation.

In reference to the traffic prospects I beg to refer you to a letter of the late Mr. Ketchum, C.E., the projector of the Railway, on page 26 of the pamphlet.—I am, Sir, your obedient servant,

(Signed) A. D. PROVAND.

Bearing on the moral and equitable liability of Canada to the Company, I beg to quote a few opinions expressed in debate.

In 1891, the Company applied to Parliament for one year's extension of time, and in reference to this application the Hon. Sir John Abbott said:

"It seems to me that we are to a great degree bound in good faith to give these contractors the opportunity of completing this work. I do not see very well how we could refuse them. I think a refusal to allow men who have spent three millions of dollars to spend \$1,500,000 more would work very unfortunately on our enterprises, when we apply to England to borrow money to finish them with, and I think it would be an extremely hard measure to mete out to these contractors to say that, not having completed their work within the precise time mentioned in the contract, they should be mulct of so large a sum as they have invested in it."

The Hon. Mr. Power, following Sir John Abbott, said :

"I do not rise for the purpose of opposing the motion of the leader of the Government, because I cannot help feeling, as the hon. gentleman has said, that the faith of the country is pledged to this undertaking, and the gentleman who have charge of it have given the best evidence of their good faith in spending the large sum of money which they have spent on the undertaking. I have never been a believer in the utility of the work, and I never thought it was a scheme which should receive the immense subsidy from the Government of this country which it is to receive when completed. But that is a matter as to which my views were not shared by the majority of this House, or a majority of the other House. That being the case, I think there would be no justification perhaps in our undertaking now to stop the progress of the work."

The Hon. Mr. Botsford said :

"The Parliament of the Dominion is pledged to these parties to assist them as far as possible, and it would be a breach of trust—in my opinion a breach of confidence—that could hardly be justified by any legislative body."

"The money has been advanced by capitalists in England upon the faith of the Parliament of Canada."

The Hon. Mr. Howland said :

"It would be very unjust on the part of this Parliament, after an expenditure of three millions of dollars on the work, to step in and prevent its completion."

The Hon. Mr. Poirer : (in French)

"I think it would be bad policy to refuse this extension of time to a company that has shown such good faith, a company which has already spent three millions of dollars of its own capital on the enterprise, without demanding one cent of assistance from the Government—a company which at their own expense will complete the work if they are not obstructed. The Company have to ask for this extension through no fault of their own. The difficulties in which Baring Bros. and other English companies became involved affected the enterprise. That they have been able to continue their work shows that English capitalists have confidence in this project, especially in view of the fact that the Government of Canada has invested nothing in the work. This road has been graded, the rails have been laid, and more than two-thirds of the work has been done. To refuse now to this Company the extension asked for would be something unprecedented in the history of our legislation."

In 1892, application was made to Parliament for power to issue Preference Debentures for sufficient capital to complete the work. On that occasion the Hon. Mr. Dever said :

"Now, would it be fair on our part to go back upon the legislation that Parliament has already passed, and repudiate the whole transaction, when these gentlemen have laid out some three million of dollars on the enterprise? They went to work in good faith under their charter. They spent all their own money and all they could borrow, and did so much of the work that it is acknowledged some \$3,000,000 have been spent on it. Are we to deprive the parties who hold securities against the road of their rights, which they will be practically deprived of if the railway does not go on? If the railway is not finished the property is virtually of no benefit to anyone. It will be no benefit to the Company, and certainly none to the creditors of the Company. It devolves upon us, as fair-minded men, to see that fair play is given, and that this Company are permitted at their own will to raise a certain amount of

money, that will complete the work in such a manner that it will be able to earn something ; at the same time, if they comply with the conditions of the charter that they obtained from Parliament, they will be entitled to the subsidy that the country has promised them."

The Hon. Mr. Kaulbach said :

* * * "but we are in this position, that by our own act we have granted the charter, and induced capitalists to expend a large amount of money—not money of Canada, but money of other people brought into this country in the construction of this work. Should the Company fail now in getting what they asked for, the money would be lost to those persons who have embarked in this undertaking upon the faith of the legislation of this country."

And on a subsequent occasion a few days later he again spoke the language which I have quoted on pages 43 and 44.

The foregoing could be added to by many other expressions of opinion, to the effect that a refusal to re-instate the Company would be unjust treatment to the investors who found the capital.

PARLIAMENTARY
GARTHER PACE

2, Whitehall Court,
London. S.W.
June 14th. 1898.

To the Honourable
SENATOR LANDRY,
Ottawa.

Dear Sir,

CHIGNECTO MARINE TRANSPORT RAILWAY CO. LTD.

I enclose herewith a copy of my Report to the Share & Debenture holders in the above enterprise giving an account of negotiations with the Government for the reinstatement of the Company.

You are no doubt already familiar with the question, as in September 1896 a Committee of the Privy Council was appointed to receive and consider the statement of the Company's claims of which I had the honour of sending you a copy. In February last we received the Report from the Privy Council set out on page 21, to which I replied by two letters dated 26th March and 31st May beginning on pages 22 and 33 respectively.

In accordance with our request the Premier referred the Report back to the Sub-Committee for reconsideration, and no final reply has yet been received. If the Government decide not to re-vote the Subsidy and grant sufficient time to allow the Company to spend its own money in completing the Railway, then I respectfully urge that we are entitled to be compensated. The amount of compensation we are prepared to discuss, and if we fail to agree we are willing to refer the question to arbitration and abide by the award.

I shall be pleased to receive your kind acknowledgement of the Report and also any communication in regard to it which you may think proper to forward.

I am, Dear Sir,

Your obedient servant,

